

ARAB REPUBLIC OF EGYPT

THE INSTITUTE OF NATIONAL PLANNING



Memo No (1038)

**A critique of the Capitalist
Strategy for Agricultural Development**

By

Dr. I. H. El-Issawy

July 1973

جمهورية مصر العربية – طريق صلاح سالم – مدينة نصر – القاهرة – مكتب ريد رقم ١١٧٦٥

A.R.E Salah Salem St. Nasr City , Cairo P.O.Box : 11765

A Critique of the Capitalist Strategy for Agricultural Development.

I. H. El-Issawy

I. Introduction.

The performance of agriculture in the last two decades has been very poor in most underdeveloped countries. According to F.A.O., the average annual rate of growth of agricultural production was 2.9%, or 0.3% on a per capita basis.⁽¹⁾ A distressing picture emerges from a closer examination of recent growth experience: the average rate of output growth has declined from 3.2% in the 1950's to 2.5% in the 1960's, which together with a rise in the rate of population growth from 2.4% to 2.6%, resulted in a drop in the per capita growth rate from 0.8% to -0.1%. Furthermore, the slowing down of the rates of output growth has been characteristic of almost all regions - the only exception being the Near East, where the rate of growth in per capita production showed a rise of 0.5%. Clearly, agriculture has acted as a distinct brake on economic and social development in most underdeveloped countries. This, together with the urgent need of accelerating agricultural growth, both for raising the economic and social welfare of the rural people and for enhancing agriculture's contribution to overall growth of the national economy⁽²⁾, leads one to question the relevance of the strategies that have governed agricultural development so far to the problems of today's underdeveloped countries.

Despite some differences in current strategies for agricultural development, these strategies share so many points of similarity that it would be not unreasonable to regard them as variants of a single basic

1) Statistics quoted in this paragraph were taken from F.A.O., The State of Food and Agriculture, Rome 1971, p. 131.

2) The urgency of the need for quickening agricultural growth can be appreciated by comparing the rates of output growth so far generally achieved with the 4% annual rate implied in the 6% average rate of GDP growth, which is the minimum target set by the UN for the Second Development Decade; or with a far greater rate that would be consistent with doubling or even trebling GDP growth rates, so that the per capita income gap between developed and underdeveloped countries could be closed in a reasonably short time. On the latter point, see: A.P. Thirlwall, "The Development 'Gap'", National Westminster Bank Quarterly Review, Feb. 1970, pp. 33-41.

strategy, which will be referred to as "the capitalist strategy for agricultural development". By the latter we mean a general plan for the organisation and development of resources in which (a) production and distribution are determined on the basis of private ownership of the means of agricultural production; (b) private farming enterprises are principally motivated by the maximisation of private profits; and (c) individual efforts may be supplemented by one form or other of traditional cooperation and state action.⁽³⁾ Adoption of a strategy along these lines will normally require a moderate land reform, preferably introduced by constitutional means, though non-constitutional means are not excluded.⁽⁴⁾ Development-proceeds within the capitalist framework by employing a variety of ingredients including improved credit and marketing facilities, improved technology, research, education and the like. An important feature of this strategy, however, is that development proceeds through the encouragement, confessed or not, of a class of rich farmers (currently called "progressive farmers") which gradually takes over the land of the poorer farmers and employ them as hired labourers. Given sufficient time, and possibly with the government assisting this process by rewarding successful farmers and making it easier for them to enlarge their holdings and to accumulate capital, large-scale modern farming would eventually replace traditional agriculture.

The contention that current agricultural development strategies conform to the one just described rests on the observation that in almost all underdeveloped countries (a) the rights of private ownership of the land and of renting land and hiring labourers, though restricted in certain circumstances, are accepted in principle and guaranteed in practice, and (b) a not inconsiderable degree of concentration of land owner-

3) Strategies of this kind are implicit in most western writings on development. For an explicit treatment see: S.R. Sen, The Strategy for Agricultural Development, Asia Publishing House, London, 1962.

4) A minority places less or no emphasis on land reform as a precondition for development e.g. The Asian Development Bank, Regional Seminar on Agriculture, papers and proceedings, A.D.B., Sydney, 1969, p. 10.

ship, inequality, and class differences is tolerated, if not promoted, in spite of declared goals of equity and equality. Clearly, these conditions generate the sort of agrarian structure and growth policies that are characteristic of capitalist agriculture. Such being the case, the questions which this paper attempts to answer may be stated as follows: Is the capitalist strategy really capable of transforming traditional agriculture and raising it to higher levels of productivity? Can it really provide the agricultural economy with the degree of dynamism and vitality that is required for rapid and lasting growth of agriculture and the whole economy of underdeveloped countries? Can it effectively mobilize the efforts of the rural masses, release their creative energies and enlist their support for serious development? Is it really consistent with the economic and social aspirations of the rural masses? Finally, what are the basic weaknesses of the capitalist strategy and to what extent can they be overcome by reforms, as distinct from radical structural changes?

Criticisms have been made of various aspects of current strategies agricultural development, and a number of social scientists and international organisations have been demanding a "new approach". The main defect of available critiques, however, is that they fail to grasp what we hope this paper will clearly bring out, namely the organic links between the shortcomings of current strategies and certain fundamental aspects of the capitalist framework for development. It is the failure to recognise this relationship which explains why most critiques end up by recommendations for changes within the capitalist framework. Even the few critics who are able to see the advantages of socialist farming systems, do not appear to have lost all faith in capitalist farming systems and continue to regard the latter, possibly with some reforms, as a feasible solution - with the choice between capitalist and socialist forms of tenure being reduced to a largely technical matter to be settled with reference to such factors as the technical requirements of production, the prevailing pressure on the land, alternatives open to

crop patterns, etc.⁽⁵⁾ We cannot agree with this. As we hope to show in this article, reforms within the capitalist framework are of little value, and a radical restructuring of agrarian relations and institutions appears to be inescapable, if rapid and self-sustained economic and social progress is to be achieved in underdeveloped countries.

II. Is the Capitalist Strategy Really adequate?

The following appraisal of the capitalist strategy for agricultural development will focus on four of its important, and naturally inter-related dimensions: (i) the time dimension; (ii) the agricultural economic dimension; (iii) the general-economic dimension; and (iv) the social dimension.

(i) The Time Dimension

It should be clear from our definition of the capitalist strategy that there are important similarities between the process of growth characteristic of that strategy and the process of growth which the western advanced countries followed in their early phase of development. To be sure, there are certain differences too. For instance, the state and co-operation are allowed to play a larger role at present, which might speed up the development process. On the other hand, today's underdeveloped countries lack many of the advantages which were open to developed countries in the past, and no doubt quickened their development, e.g., the opportunity of huge territorial expansion through colonization of overseas lands, and the exploitation of their resources through trade as well as through plunder, and of economic expansion through their markets; technical superiority relative to the rest of the world which enabled these countries to invade an almost unlimited market with little or no resistance, etc.

(5) See for instance: U.N., World Economic Survey, 1968, U.N., New York, 1970, p. 28; and E. Jacoby, Man and land, Andre Dentsch, London 1971, p. 169.

Nevertheless, the essence of capitalist development today is the same as in the past, namely the central role of private ownership of the land and private farming, and the gradual taking over of the land of the small peasants by the larger ones and proletarianization of an increasing section of the rural population. This means that the pace of development under the contemporary formulation of the capitalist strategy may not differ very much from that of past capitalism. Experience of western advanced countries shows that the transformation of agriculture has been a very slow process, extending over several centuries. Even in countries such as Japan, Taiwan and Mexico, as will be shown, agricultural development so far extended over very long periods - over 100 years in Japan and over 40 or 50 years in the case of Taiwan and Mexico; and the transformation there is still far from complete. This is partly because of the evolutionary nature of capitalist development, but mainly because, in contrast to a socialist structure, the capitalist agrarian structure does not make possible full utilization of all available resources, particularly realization of the potential economic surplus and channelling it into productive uses.

(ii) The Agricultural-Economic Dimension.

The main questions that will be discussed under this heading are: What type of farm structure does the capitalist strategy lead to? How does this farm structure affect the growth of agricultural production and productivity? Does it provide an effective framework for mobilizing the rural masses for infrastructural and other development work? What are its effects on the accumulation of capital in the countryside? How does it affect technological change in farming?

Dominant feature of farming structure.

One feature which is likely to dominate a capitalist farm structure is the existence of a high proportion of small holdings. This feature has, of course, characterized the farm structure of most underdeveloped countries long before these countries began to formulate any plans for agricultural development. It continues to exist after

the adoption of a capitalist strategy for two principal reasons. The first is that the scope of capitalist-style land reforms is very limited in the sense that only a tiny proportion of available land is redistributed. In conditions of rapid population growth, the lack, or sluggish growth, of employment opportunities inside and outside agriculture, and the resulting high population pressure on the land, on the one hand, and the growing political pressure to benefit the greatest number of landless peasants, on the other hand, a capitalist-style land reform will inevitably lead to holdings which are too small to provide full-time employment or adequate income for the peasant and his family. Even when the reform law specifies a minimum size of holdings, so as to ensure economic viability or a minimum level of living, it is not infrequent that in practice the actual size of holding falls short of the specified minimum. The problem of small-sized holdings is further aggravated by the prevailing inheritance laws which often lead to further sub-division and fragmentation.

The second reason for the persistence of small holdings is that many of these holdings have an astonishing capacity for survival in the face of adverse economic circumstances. The experience of western countries provides ample confirmation of this phenomenon, which renders attempts to consolidate sub-divided and fragmented holdings largely ineffective. The reason why small farmers refuse to co-operate in consolidation schemes is basically that the alternative to their low but certain level of economic security is often an uncertain future. Governments, on the other hand, do not attempt to force the process of consolidation and enlargement of holdings unduly, particularly when the economy is unable to absorb the growing rural population at a satisfactory level of productivity, and probably because this would amount to an open alliance with medium and large farmers, which is at variance with declared social objectives.

Sacrifice of potential increases in production.

The prevalence of a large number of small holdings and the persistence of this situation for a long time, leads to a definite economic loss. This loss is represented by the potential increase in output which could be obtained with larger holdings. In this connection, one should not under-estimate the economics of large size, even when technologies of the "green revolution" are widely adopted. As an F.A.O. study pointed out, although in theory these technologies are neutral with respect to scale, this appears not be true in practice,⁽⁶⁾ It is also worth remembering that it was in recognition of the relationship between scale and efficiency that many underdeveloped countries have incorporated in their land reform programmes measures to ensure that certain operations will be carried out on a large scale. But, as will be seen shortly, the impact of these measures should not be exaggerated.

Accumulation of capital.

The inability of a farming structure dominated by small holdings to realise sizable increases in production and productivity - unless they are supported by a vast and efficient network of services, which most underdeveloped countries have neither the time nor the resources its creation calls for - have serious implications for the accumulation of capital in the countryside. Small holdings are often incapable of producing any significant surplus over and above the consumption needs of their owners, and, in many cases, small peasants have to supplement their income by working for rich farmers. This means that the capacity for investing, in land improvements, acquiring modern inputs or applying improved technologies is either negligible or totally non-existent for the majority of holdings.

(6) F.A.O., The State of Food and Agriculture, 1970, F.A.O. Rome, 1970, p. 162.

True, the small savings of peasant cultivators may have a better effect on capital formation and production if they are concentrated in single body such as a co-operative. This, however, presents serious problems which arise largely from the diverse and conflicting interests of private farmers, especially when their economic power is unequal. The suspicion of the small farmer that it is the medium and big farmers who benefit the most from such organization is not often unjustified. Furthermore it is doubtful if co-operatives of the type generally favoured by advocates of the capitalist strategy, namely associations of private farmers free of state control or supervision is required to raise levels of saving and investment. (7) Furthermore, it is conceivable that the latter could be raised still further if the limits which traditional cooperation impose on output growth were removed.

Mobilization of the rural masses.

Another important aspect of the problems of capital accumulation in the rural areas is the mobilization of the rural masses for infrastructural and other productive work. In most underdeveloped countries, there exists a vast pool of unemployed human resources which constitute a potential economic surplus available for development purposes. The experience of underdeveloped countries with a capitalist strategy for agricultural development so far indicates a complete failure in carrying out the urgent task of mobilizing the rural masses for capital formation. F.A.O. has observed that "there is an absence of effective organization or arrangements to involve rural people in the preparation and implementation of plans intended for their benefit, or women and young people in the affairs of their community and nation". (8) This, however, is not surprising, because the capitalist strategy provides no framework for carrying out the job in question. Its traditional co-operatives are basically farmers' organizations, in the sense that they are designed to serve those who

(7) See, for instance: Doreen Warriner, Land Reform and Development in the Middle East, 2nd ed., Oxford University Press, 1962, p.7.

(8) F.A.O., Towards a Strategy for Agricultural Development, Basic Study No. 21, F.A.O., Rome, 1969, p. 39.

own or rent land and have something to sell. They are not primarily designed for the poor and landless peasants and labourers. The strategy concentrates on the farm entrepreneur as the motive force of the development process, and allows little or no room for "mass effort".

The important point is not only that no underdeveloped country outside the socialist camp has succeeded in mobilizing the rural masses for capital formation, but also that it is hard to conceive of a satisfactory formula for doing so within the framework of private land ownership and private farming. Given this framework, most of the benefits from capital formation work by the landless peasants and labourers will be reaped by those who have land to cultivate. Without the possibility for fair participation in the fruits of such development work, it is hard to conceive of a reason why the poor rural masses should participate in this work. Given a capitalist organization of agriculture, the mobilization of the rural people for capital formation will inevitably resemble corvee or forced labour.

Technological change.

The system of small, private holdings presents several difficulties to the spread of modern farming methods. It is not only that the extension service is incapable of reaching the large number of small farmers, and cannot achieve this object in a short period or at a reasonable cost, but also that the rate of absorption of new knowledge and adoption of new methods tends to be very low. The small size of most holdings tends to preclude the use of many improved technologies which can yield economies of scale and proportionality. Fragmentation of land holdings also results in operational units which are so scattered that irrigation, drainage, weed and disease control cannot be efficiently employed. Furthermore, the lack of incentives for the use of new method and/or the risk associated with their adoption constitute barriers to the technological transformation of the small farming units.

These difficulties have led many countries, particularly those associated with the "green revolution" to concentrate their efforts on the larger farmers, who tend to be more responsive to new methods and more able to take the necessary risks than the smaller farmers. Though quick-yielding in the short-run, this policy, as the Mexican experience shows, can only succeed in creating a dual agricultural structure, with the majority of the nation's farmers being left behind, while a tiny minority continues to prosper and accumulate wealth. It is a policy involving faithful application of the capitalist principle of "building on the best" (i.e., the affluent minority of farmers), with the inevitable result that the strong gets stronger and the weak gets weaker and weaker. The social consequences of this principle will be discussed later on.

Human capital formation.

Agricultural productivity in underdeveloped countries is hindered not only by the lack of scope for introducing new technologies rapidly, but also by the wretched material, health and educational conditions of the major part of the rural people. As in the case of the new technologies, the capitalist strategy emphasizes education and health, but the agrarian structure which it leads to is not conducive to heavy investment in these areas. Despite the fact that the share of education and health has been rising in the budgets of most underdeveloped countries, the share of the rural areas in these services has often been disproportionately small. The bias in favour of urban areas in the allocation of social services is not a coincidence. Rather, it is a direct result of the character of the ruling classes in underdeveloped countries, particularly the dominance of the urban-oriented middle classes and the lack or under-representation of the lower social strata in the power system. Redistribution of political and economic power of the order customarily prescribed by a capitalist strategy is inadequate to tip the balance in favour of the deprived majority - the peasants and workers. The contrast between conditions

in most underdeveloped countries and socialist countries such as China, North Vietnam and Cuba, where outstanding achievements have been realized in the fields of education and health ⁽⁹⁾, suggests that a radical redistribution of political and economic power in favour of the workers and peasants i.e. a social revolution, is a prerequisite for the improvement of educational and health conditions for the underprivileged majority in underdeveloped countries.

Limits of current remedies.

Land Consolidation schemes and other traditional measures to prevent the economic losses resulting from small size, sub-division and fragmentation of holdings have been introduced by many underdeveloped countries, but "this has made hardly any sizable impact", ⁽¹⁰⁾ Cooperative and other measures have also been taken by some underdeveloped countries with the object of capturing some economies of large operation, while retaining small private holdings, but these measures so far achieved limited success. For example, extensive use has been made of supervised cooperatives" in the land reform areas of Egypt. But, according to a recent study, one of its authors is himself a land reform beneficiary, serious obstacles to increased agricultural output still exist, ⁽¹¹⁾ Most important among these are the following:

(a) A great degree of fragmentation arising from the requirement that each family holding (average size 2 acres) be divided into 3 parcel

(9) See, for instance: Tibor Mende, China and Her Shadow, London, 1961; Leo Huberman and Paul Sweezy, Socialism in Cuba, New York & London, 1970, Chapters 2 & 3; and Gerard Chaliand, The Peasants of North Vietnam, Penguin Books, 1969.

(10) U.N. Economic and Social Council, Fifth Report on Progress in Land Reform, (Summary) U.N. 1969, p. 11.

(11) G. Ragab and A.Y. Abu Harb, "Towards an empirical study of obstacles to increasing agricultural production", Al Tali'a, Sept. 1970, Cairo, (in Arabic).

being located in one of 3 big plots (50 to 100 acres), in order to implement a unified crop rotation, with each plot being under a single crop; (b) Considerable waste of scarce land due to private landownership and private farming - the area of each holding allocated to canals, drains, conduits, barns, roads, etc. has been estimated at least 20%; (c) Formidable problems in the use of modern machinery due to fragmentation and parcelling of holdings. It is sometimes physically impossible to get a tractor from one holding to another, and differences in dates of cultivation from one farmer to another and the 'democratic principle' of serving each farmer according to his place in the waiting list often lead to considerable waste of time and therefore loss of potential output; (d) The difficulties faced by farmers in getting machines serviced at the right time force many of them to use drought animals in ploughing and irrigation, which exhausts the animals and depresses their productivity. In a great number of cases, machinery and animals have to be hired at exorbitant rates from rich farmers; (e) Differences in dates of cultivation and irrigation from one holding to another causes serious problems of disease and pest control; Finally, (f), several problems are encountered in the distribution of farm inputs and marketing of farm produce through cooperatives.

As a team of students of Middle East agriculture noted, countries like Egypt "may have done as much as anyone could do (that is, within the existing framework), yet the problem still remains". (12) To be sure, these difficulties are not insurmountable, but it is hard to imagine how they can be overcome while leaving private property relations untouched.

(iii) The General-Economic Dimension.

The implications of the previous discussion for general economic development are plain: Agricultural production is hindered by factors inherent in the capitalist way of organizing agricultural development, so that any early upward movement that may be achieved without

12) M. Clawson, H.L. Landsceerge, and L.T. Alexander, The Agricultural Potential of the Middle East, New York, 1971, p. 143.

much change in production relations and institutions is likely to be blunted or aborted. This means that, in view of the connection between agricultural and overall economic development, the contribution of agriculture to development (the agricultural surplus) either cannot be generated on an adequate scale, or that it cannot be maintained for long. Economic development will consequently be difficult to generate or to sustain in the long run.

Two further interrelated points should be considered in the context of the relation between agricultural and overall development. First, most underdeveloped countries have adopted general economic planning as a means of harmonizing development efforts in the different sectors of the economy, establishing development priorities and of achieving certain economic and social goals. However, the predominance of small-sized holdings and the rural organizational and institutional arrangements surrounding them constitute a major bottleneck for development planning in agriculture. The real problem is the "the scope of planning remains limited in one of its principal aspects: the apportionment of total output as between current consumption and the economic surplus". (13) Second, because of the weakness of the national bourgeoisie, the desire to avoid foreign economic domination and the need to control the course of economic and social development, many underdeveloped countries have created a state-owned and managed industrial and financial sector. Economic planning is relatively easy in this public sector, but it cannot achieve its targets unless its requirements of agricultural products are fulfilled and prices of the latter do not diverge considerably from the course expected by the planner. That is to say, the efficacy of the overall development plan is conditional on the fulfilment of the targets planned for agriculture. However, as noted earlier, the agrarian structure associated with the capitalist strategy represents far from satisfactory conditions in this respect. It is very

(13) Paul A. Baran, The Political Economy of Growth, Monthly Review Press, 4th Printing, 1967, p. 267.