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RURAL CHANGE

The Challenge for Agricultural Economists

PROCEEDINGS

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Edited by
Glenn Johnson, Department of Agricultural
Economics, Michigan State University, USA
and
Allen Maunder, Institute of Agricultural Economics
University of Oxford, England

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Gower

Potential Applicability of Certain Socialistic Farming Practices for Rural Development in Non-Socialist Less Developed Countries

1 INTRODUCTION

There is no satisfactory theory of rural change for the LDCs.¹ The common element of all theoretical approaches is that they represent partial constructions which analyse a limited aspect of the possible causes for poverty and the possibilities for improvement in the less developed world. Integration of these partial theories into a general theory of development has not yet been accomplished; prospects for such integration are also not promising because of widespread differences among different countries and among regions within a country.

The theoretician of change needs to make detailed examinations over time of an adequate sample of societies (McLoughlin 1970:10). Byerlee and Eicher (1972) state that: "Until better theory can be developed and more solid micro-level data collected, economists are limited in advising policy makers on problems of employment in rural areas". Collinson (1973) in reference to macro-planners, says that "their experience during the 1960s has created an awareness that development plans are missing a link with the dominant type of production unit in agriculture, the small-holder".

Smallholdings are generally too small to generate incomes above the poverty line. According to World Bank statistics (1975) about 80 million smallholdings in Asia, Africa and Latin America have less than two hectares of land each. Most of these smallholdings are used for traditional low-yielding subsistence production.

In spite of the differences among less developed areas of the world,² it is possible to investigate methods intended to reduce poverty and consequently increase production and raise productivity.

The main aim of this paper – within its limited scope – is to recognize the objectives of the different theories or approaches of agrarian change.³ I propose, however, to concentrate more on methods of agricultural production, especially on the potential applicability of socialistic farming

* The author acknowledges useful comments by Professor J.A. Groenewald of the University of Pretoria.

practices⁴ in non-socialistic countries.

The inclusion of socialistic farming practices may well fit into the "unimodal" strategy advocated by Johnston as well as into the "unified" approach⁵ especially in two respects: Firstly, widespread participation of the rural population in a progressive modernization process and secondly, understanding that development strategy must rely on the interdependence of social progress and raising production.⁶

Inclusion of socialistic farming practices into development efforts of non-socialistic countries may be an important element in comprehensive rural development.

2 CAPITALIST VERSUS SOCIALIST AGRICULTURE

The less developed nations of the world, mostly with dualistic economies, who want to modernize agriculture and obtain rural change including continuous raises in living standards of the rural population have to choose between:

- (a) establishing state farms and/or projects;
- (b) organizing collective farms with various degrees of co-operative practices;
- (c) encouraging capitalistic farming practices by the more enterprising members of the farming community; and
- (d) finding a suitable combination of (a), (b) and (c), so as to use the advantages of each system without destroying those aspects of the social structure which do not necessarily hamper the development process.

The well known advantages of the free enterprise system based on private ownership of land and other means of production, such as security of tenure, competition, which leads to innovations etc., may contribute to higher production, more investment, larger exports and price stability.

By creating incentives for maximum individual growth and a favourable climate for private investment, rapid progress has been achieved in some countries, mostly in the developed world. In general this has not happened in LDCs copying the capitalistic model. Although their average agricultural production has increased by 3 per cent per year over the past two or three decades, there was very little alleviation of the general poverty and in some cases the situation worsened.

With regard to socialistic practices it is said that "the worst enemy of socialism is bad economic performance" (Svendsen, 1967). There is certainly a lot of truth in this statement, but with the shift from the growth-oriented policies to the approach of aggregate growth as a social objective it is perhaps necessary to have a fresh look at the possible combination of private, state and collective farming practices for the purpose of integrated rural development.

Possibly because of accepted ideology, many countries favour only the

Left or the Right. Every developing country obviously must find its own solution to its specific problems in the light of its political, social and economic circumstances.

The switch from capitalistic to socialistic farming practices is generally associated with changes in government, redistributive land reform and a decrease in production for at least some time.

My concern here is the possibility of introducing socialistic farming practices without such drastic changes; in other words a "peaceful co-existence"⁷ of the state, collective and private agricultural sector within a basically capitalistic LDC. This diversification of systems may have certain advantages:

- 1 a healthy competition may develop between the more progressive individual farmers who have chosen the capitalistic way;
- 2 competition may also develop between the state and collective agricultural sectors; and
- 3 a competition may be generated between the private and non-private sectors.

Thus a platform can be created where, with the assistance and protection of the government (especially regarding general economic policy, consolidation of holdings, creation of infrastructure, communication facilities, marketing of products etc.) the rural population itself could decide which system is more desired and must ultimately be followed.

Pure capitalistic exercises have often provided a large measure of agricultural growth and individual freedom, but also greater inequality.

Socialistic China entered the field of development as a latecomer "ignoring the accepted beliefs of western development experts and the most sober tenets of orthodox marxism" (Ward 78:XI) and achieved rural change in a relatively short time.

The applicability of socialistic farming practices will depend on the specific needs and problems of particular countries, especially on the willingness of privileged classes to share welfare with the rural poor and on the willingness of governments to assist in meeting the basic needs of the entire population. The highly successful performance of Israeli kibbutzim can obviously not be obtained in countries with a social organization not fitted to the kibbutz structure.

3 A FRAMEWORK FOR RURAL DEVELOPMENT

Aziz (1978:99-104) identified five key elements for long run rural development:

- 1 more equitable distribution of land and other rural resources in order to provide greater opportunities to the poorest segments of the rural population to meet their minimum needs;
- 2 organization of farming and other related activities, including land and water development on a collective or co-operative basis so as to

- achieve a fuller utilization of available physical and human resources and a more equitable distribution of future income;
- 3 diversification of the rural economy within agriculture, including small and medium scale agro-based industries to expand employment opportunities and income generation, and thus to improve the pattern of rural life;
- 4 an active policy of social development through the expansion of social services and the improvement of social relations;
- 5 political and administrative capacity for the planning and implementation of this strategy, to provide linkages with the rest of the economy and protect legitimate interests of the rural population.

An intimate knowledge of the whole rural system is a prerequisite for the successful implementation of such a long term development framework.⁸ Therefore it is necessary to undertake micro-level surveys and studies concerning:

- 1 agricultural potential, including growth potential;
- 2 farm income surveys (also to monitor projects already in operation, to compare estimates with factual results);
- 3 farm classification surveys (crops, livestock, mixed etc);
- 4 detailed studies of the family farm as an economic unit, including acceptability research.

Acceptability surveys and such studies may serve as useful aids to determine immediate minimum needs for the improvement of rural life and also to determine the prospective areas for introducing socialistic farming practices.

Mosher's classification (1971) of rural areas into:

- 1 areas of immediate growth potential;
- 2 future growth potential areas; and
- 3 low growth potential areas

can serve as a guide for priorities and suitability of different systems – private, collective or state – of agricultural production, especially when it is combined with socio-political aspects of the development process.

Detailed studies of family smallholdings may indicate specific problems, attitudes and preferences of individual farmers – the most important production unit in less developed agriculture.

4 METHODS OF INCORPORATING SOCIALISTIC FARMING PRACTICES

Introduction of a socialistic agricultural sector is usually accompanied by mass collectivization and nationalization with the concomitant destruction of social structure without the guarantee of increased production and a happier life for a long time.

The most prominent exception in this regard is Israel's co-operative settlements.

In view of the socio-economic conditions in rural Africa, Frank (1968) regards the Moshav Ovdim formula as potentially the best pattern of land settlement for inducing and accelerating rural progress because it may lead to:

- (a) an increase in the productivity of land and labour; and
- (b) an increase in the ratio of earners as a result of the reduction of disguised unemployment, the creation of new fields of occupation, and rational organization measures.

The establishment and incorporation of such a kind of settlement must be considered not only from the view point of the technical and economic potentialities which it offers, but rather in the first instance from its acceptability by the rural society concerned.

Nationalization and collectivization are generally realized only after a change in government. In Africa, with its traditional land tenure systems, that kind of "painful" land reform is not necessary and often not successful.

Traditional communal land tenure systems of Africa may render redistributive arrangements unnecessary, whilst at the same time tipping scales in favour of voluntary socialist forms even in a non-socialist political environment, even though usufructuary land tenure systems are not without their own limitations.

The Ujamaa approach was for instance initially an expression of the characteristic social relationships, existing in the extended family groups of many traditional African societies. It includes the basic principles of:

- (a) equality, mutual respect and love;
- (b) a common obligation to work; and
- (c) collective control of capital goods and land.

It is still too early to judge the ultimate results of the Ujamaa strategy; the fact that it is based on principles of co-operation and socialism in the traditional African society may however offer interesting solutions towards the emerging new structures of collective agricultural production, decision-making, control and finally towards more egalitarian rural development approaches.

One of the greatest obstacles to the introduction of socialistic farming is the fact that, as a rule, an owner of land is not willing to give up his right to land even if he can be convinced that essential economic advantages would ensue (Schiller 1969 p. 28). This problem does not pertain to large parts of Africa partly because of the traditional pattern of group ownership and communal rights. The great disparities in connection with the distribution of land in Latin America, Asia and the Middle East require however, attention with regard to land reform. The question is more likely to be which type of land reform will serve the particular needs of specific countries. While pressure on the land is increasing and the

average man-land ratio is worsening, it appears that land reforms intended to redistribute land more equally do not necessarily lead to the desired long term solution (Warriner, 1964). Economical farm units distributed among progressive prospective farmers may soon become uneconomic units.⁹

On the other hand experience of socialist countries clearly shows that certain – mainly labour intensive – branches of agricultural production are difficult to manage under large scale socialist methods. Formation of collective or co-operative farms and state farms for large scale production and the granting of household plots for private labour intensive production – as it is generally practised by socialist countries¹⁰ – seems to be an alternative solution which should be considered.

Formation of co-operative and collective farms must proceed voluntarily and the establishment of state farms or projects through the buying up (by the government) of large estates coming up for sale. The overcoming of political, institutional and technological obstacles requires careful planning and preparation, forming part of the overall strategy of economic development, and conducted in a national economic basis.

Experience in many parts of the underdeveloped world has shown that the furtherance of capitalistic farming practices by a limited number of progressive farmers, government or internationally sponsored agricultural development projects has a very limited impact on the well being of the rural population as a whole.

Nevertheless a number of intermediate or partial solutions may contribute in opening ways for the adoption of a comprehensive strategy or rural development.

A viable model of rural development must necessarily take into account the specific political and social circumstances in the country concerned.

The alternative programmes may include:

1 *Small farmer co-operatives*

The degree of co-operative practices will vary according to the specific needs of the rural community; the ownership of land may either remain private or become communal but the land must be physically pooled for purposes of cultivation. The development of collective farming – the USSR and other European countries from artel, machine and tractor stations to the Kolkhoz – may provide valuable examples for the planners. As a starting point the establishment of service co-operatives seems to be the easiest for most countries.

2 *Private ownership with state management*

(a) The emphasis here is on a high degree of management provided by the state. It is a specially suitable approach for newly reclaimed land. After the initial stage of the application it could be converted into a co-operative enterprise;

(b) Co-operative or communal ownership with private management.

Good examples of this way of combining group ownership with private management can be found in South Africa where private individuals and

companies offer valuable management and consultative services to African small farmers.

There are various methods of approach for such project development (Fényes and Groenewald 1977:5):

- on a consultation basis where the government provides the funds and a company handles the management;

- on an agency basis where a company also contributes part of the funds and therefore also shares in the profits to recover capital invested, after which the agent may sell his part to local inhabitants;

- a public company may be formed in which all shareholders make a contribution to development and all of them share on a pro rata basis in the profit.

Further considerations in this connection may, for example be:

- a co-operative unit perhaps on a small group or extended family basis;
- or

- a company in which a certain amount of the shares are held by permanent workers.

3 *State projects*

Various state or state sponsored projects with or without foreign aid is undertaken in many parts of the world. Mainly capital and managerial intensive projects such as irrigation schemes with the inclusion of the rural people as employees and not farmers can result in high production (De Villiers 1978:8).

The ultimate success of project farming depends mainly on the degree of participation of the local community and on the demonstration effect.

Lele (1975) in summarizing the experiences gained from 18 rural development projects in Africa gives a rather gloomy picture of the possibilities of raising the productivity of the rural poor and integrating the low income groups into processes of planned development. Most of these projects did however have some positive effects, although smaller than desired.

The sources of the relative failures are traced to one-sided economic growth targets in earlier periods at the expense of income distribution, in the limited technical know-how available during the first development decade, in a lack of appreciation of socio-institutional problems and the scarcity of qualified staff resulting in planning inefficiencies.

4 *Other alternatives*

There are various other alternatives for rural development such as special packages for target groups (World Bank 1975), area development projects, rural works programmes for the landless, representing mainly partial solutions and usually less socialistic by nature and therefore only by implication relevant for the purpose of this paper.

5 THE QUESTION OF FARM MANAGEMENT

According to some writers (Hartzenberg 1977:75, Little 1964) the most important limiting factor amongst the many causes of underdevelopment lies in the human being and its limited managerial ability.

The concept of farm management and its practical implementation needs modification as far as the smallholders of the LDCs are concerned (Fényes 1979:33). Individual farm management advice is too expensive when the opportunity costs of qualified management advisers are taken into account. Without drastic changes to the system and with the assumption that the education-oriented farm management approach is applied, it appears that there are two areas in particular, where the general management approach in a modified form can be usefully applied in the smallholder agriculture, namely:

- 1 An intensive group management or representative management approach, where acceptability research, family and way of life, education and the non-farm use of resources should receive more attention than is the case in the developed sector; and
- 2 an improved information system through the media, published works and extension services (Fényes 1979:34).

Here again the incorporation of socialistic farming practices possibly will contribute substantially to the objectives of improved management under conditions of less development.

6 THE ROLE OF AGRICULTURAL ECONOMISTS IN THE PROCESS OF RURAL CHANGE

With the development of new (partial) theories and approaches of agricultural and rural development and especially with the recognition of the multidisciplinary nature of our task, agricultural economists should play a vital role in the development of LD areas.

The actual tasks will depend on specific circumstances but will probably include (Campbell 1975:53):

- 1 teaching at various levels;
- 2 undertaking research relating to development in a multidisciplinary base, namely with the co-operation of other disciplines like geography, political science, anthropology, sociology etc.;
- 3 providing expertise as a member of an aid mission or technical assistance programme;
- 4 actual service with the government or parastatals.

The main shift in attitude to tackle our "new" challenge probably will include to give the subject a more "human face" by incorporating sociological aspects, continuously investigating the acceptability of our proposals and the recognition of the fact that agricultural growth is only

one (although still important) factor and as a sole measure cannot change the general picture of rural poverty.

7 CONCLUSIONS

The search for comprehensive rural development theories and strategies must start with the recognition of the fact that a development strategy that aims at creating a consumer society on the western model is neither feasible nor desirable. As Aziz (78:XV) said "the main focus must be on meeting the basic needs of the entire population rather than on providing western levels of consumption to a privileged minority".

History has already proved that socialistic farming practices have a better potential of inducing rural progress in LDCs than capitalistic practices. The question is how to implement socialistic farming practices into non-socialist less developed countries.

A distinction must be made between countries with antagonistic differences between the owners of the land and the rural poor and African countries with their traditional communal tenures which may foster desirable ideals of mutual help and provide social security. This could offer a foundation for modern co-operative agriculture.

In either case careful macro and micro level studies, including acceptability research are prerequisites for implementation.

Socialist practices must be introduced on a voluntary basis. Where land reform is necessary, the owners must, as far as possible, be compensated both for the reason of humanity and to avoid disruption. Private practices, in reasonable scale, must however be allowed. Another important point in favour of socialistic farming practices is the applicability of high standard management, educational and welfare programmes for the rural population at large.

NOTES

¹ A survey of development theories is presented by Bonnet and Reichelt, (1972, pp. 23-9).

² A useful description of the contrasts and similarities of Asia and Africa is to be found in Hunter (1969).

³ e.g. Clifton Wharton's triple stage system, the "Stage" theories of Perkins-Witt, Johnston-Mellor, Hill-Mosher, the minimum package approach, the comprehensive approach and the sector and other special programmes. Hayami and Ruttan's "induced" development model, and Johnston's distinction between "unimodal" and "biomodal" strategies.

⁴ For the purpose of this paper socialistic farming practices are defined as state and co-operative agricultural enterprises where land and other means of production are owned by the state or owned collectively and the production-distribution process is performed on a collective basis.

⁵ See Resolution No. 2681 (XXV) passed by the UN General Assembly 1970.12.11.

⁶ In social progress one may include amongst other elements motivation for higher commercial production, a sense of general progress and in this respect social progress can be

regarded as a pre-condition for raising production in at least certain parts of the LD world.

⁷ There are many examples of this co-existence in different parts of the world for example in Poland, Israel, Yugoslavia, the Punjab in India, and in a lesser extent the household plots allocated to collective farm members and state farm employees in the socialist countries.

⁸ Wright (1972) concludes that environmental information needed for development planning is grossly inadequate. Proposed detailed studies oriented towards systems analysis of biophysical processes governing productivity must include investigations into farming practices and socio-economic factors.

⁹ The average availability of arable land per caput of agricultural population in developing countries is far less than one hectare.

¹⁰ The existence of household plots seems to be permanent in most socialistic countries. The household plot assisted small farmers during the transitory period, straight after their entry into the collective, making it easier to adjust their working and living habits, allow members another source of income and tying down an over-supply of labour. In addition state farms and co-operatives did not supply agricultural produce in sufficient variety, quality and of enough quantity for domestic consumption and exports but household plots did. This fact created an uneasy situation for Marxist policy makers believing in the elimination of all sorts of private small scale production. They argued that this situation would disturb the socialist evolution of property and production relations in agriculture. At one stage for instance the household plots were totally abolished in Bulgaria, but this measure was not successful and in the first half of 1976 a broad campaign was conducted in Hungary favouring surviving small scale agricultural production that had been attacked so much earlier (Lázár 1976:72). This changing attitude represents the realization that the existence of small scale production in socialist countries is not only possible but extremely advantageous.

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DISCUSSION OPENING – YEN TIEN CHANG

I feel greatly honoured by being invited to open the discussion of Dr Fényes' paper. Dr Fényes' paper is a well presented work, and is surely one of the masterpieces among the papers at the XVII Conference. As the title of the paper signifies, it is an inquiry into the applicability of socialistic farming practices for rural development in non-socialist less developed countries. It is also, in a sense, an inquiry into the causes of poverty in the less developed world. The main aim of this paper, as stated by the author, is to recognize the objectives of different theories or approaches of agrarian change. The background of this paper is obviously the less developed world, especially African countries.

In the short time available I wish to raise some questions and to make a few remarks on the key points of the paper.

In the first place, there are no clear definitions or delineation of the scope of socialistic farming practices. It is, therefore, difficult for us to discuss the social conditions and co-ordinating measures needed for the introduction of socialistic farming practices in the non-socialist, less developed countries.

Secondly, I doubt that socialistic practices could be in "peaceful co-existence" with state, collective and private farming practices within a capitalistic less developed country. And I want to emphasize the point, as the author mentioned, that the switch from capitalistic to socialistic farming practices is associated with changes in government, redistribution of land and a decrease in production for at least some time; and, that the introduction of socialism usually results in mass collectivization and nationalization with the concomitant destruction of social structure, without the guarantee of increased production and a happier life for a long time. Then, why should we make such a switch? It is a dilemma we have to face.

Thirdly, from the social and psychological aspects, one often finds that the great obstacle to the introduction of socialistic farming is the fact that an owner of land is not willing to give up his right to land even if he can be

convinced that essential advantages would follow. This is the case the world over, not only in Africa. It is true that every developing country must find its own solution to its specific problems. There is no panacea for all diseases! And not necessarily every developing country has to introduce socialistic farming practices into its own farming system.

Fourthly, one of the acceptable programmes for rural development is the co-operative system for small farmers. The ownership of land may remain private, but land must be physically pooled for cultivation, so as to enlarge the farm to an efficient size.

In Taiwan we developed an alternative for rural development for small farmers, the "joint operation", which is a programme for small farmers to enlarge their farms to an efficient size. The ownership of land of the small farmers who join the "joint operation" programme remains private; but their land must be pooled together, wiping out all the plot boundaries to facilitate farm machine operation. The "joint operation" farms are usually composed of 10 to 20 hectares and include 30 to 50 small farmers.

Finally, in concluding my comments, I would like to say a few words about the important role played by agricultural economists in the process of rural development. In addition to the four responsibilities listed by the author, there is one thing I want to emphasize for agricultural economists, that is, the abolition of the poverty of the less developed world. Poverty is closely connected with hunger, and hunger is a result of inadequate supply of food. As pointed out by Dr Ojala, in his Kellogg Foundation lecture, millions more people will have to die of hunger or hunger-induced disease, and some 500 million agricultural producers live in absolute or relative poverty. In this connection, agricultural economists should make every effort to promote agricultural growth, so as to increase food production to free the rural poor of the underdeveloped world from hunger. This is the challenge the agricultural economists have to meet and the role they have to play.

GENERAL DISCUSSION – RAPPORTEUR: C. PEMBERTON

In the general discussion one speaker felt that he could not come to the same conclusions as the author, who had stated that the development of collective farming in the USSR and other Eastern European countries from the artel, machine and tractor stations to the Kolkhoz could provide valuable examples for planners; but these were not good examples. Nowhere in East Europe was the change to socialist farming voluntary. Such change was only possible under particular political and economic powers of a group of leaders. No developing country had a similar type of situation. Collaboration in agricultural development existed and if the traditions of each country were used to help them to develop these traditions along modern forms, their efforts may be more successful.

It was also felt that the extended family has declined in actual economic significance in much of Africa. Also that where farming systems are

comparatively simple, the variations in production and efficiency amongst individual simple families are very wide. Does not this limit the practical possibilities of voluntary communal farming?

In reply first to the opener, Dr Fényes stated that with respect to Dr Chang's comment on the definition of socialist farming practices, this definition was given in Note 4 of the paper.

As to the question of whether socialist farming practices can co-exist peacefully with private farming, Note 7 of the paper provided several examples of co-existence in both socialist and capitalist countries, e.g. Poland and Yugoslavia and Israel and India. Poland and Yugoslavia present interesting situations, since in these socialist countries over 70 per cent of agricultural land is in private ownership. He had little details on the situation in India, but Israel is certainly capitalistic and the kibbutzim is usually considered to be a socialist farming practice, and there is peaceful co-existence there.

Regarding the general discussion, he believed that the experience of socialist countries may provide examples to developing countries because the socialists made mistakes which developing countries can benefit from. For example, he had mentioned Bulgaria which abolished household plots and then allowed them to return. The fact that the introduction of socialist farming in East Europe was non-voluntary was well known. The main concern however is that socialist farming in these countries has eliminated rural poverty, has provided fixed incomes and social security to farmers and, along with their medical schemes, has meant that these countries are away ahead in the developing world.

His experience with the extended family system was mainly in northern South Africa, Lesotho, Botswana and Zimbabwe Rhodesia.

Participants in the discussion included Eberhard J. Schinke and John R. Raeburn.