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DEVELOPMENT NEEDS MORE THAN CLASSICS

MICHEL CEPEDE

DEVELOPMENT is the great challenge of our century. At the same time some of our colleagues endeavour to explain that there is no such thing as “agricultural exception” or “special conditions to foster development” even for “take off.” The comparative advantages and costs theory and every bit of science deriving from the classics of the 18th and early 19th century should be able to answer any question even from “developing countries.”

If so it would really be some kind of a miracle as Adam Smith and David Ricardo would have found what they were not looking for.

The former studied the nature and causes of the “Wealth of Nations” which is evidently an economic problem, but a problem of interest to explain—and also to justify—the wealthy situation of the “Have” by a law of natural evolution beneficial to the strongest “euphemistically described as fittest.”¹ The main problem to be solved to help developing economy being just the reverse: what are the nature and causes of the poverty of nations, as Professor Aziz from Kuala Lumpur University so ably pointed out in the Tenth International Conference of Agricultural Economists.²

The latter, David Ricardo, dealt with barter. Using a model of what might happen on a market, he tried to explain the way to take the best of it. It was indeed a very over-simplified model without practically any reference to production and consumption, but only to supply and demand . . . The explanation, taken as

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1. D. G. Karve, “Agriculture in a Developing Economy,” P. W. N., Warsaw, 1964.
 2. International Conference of Agricultural Economists (Xth), Mysore, India, 1958.

evidence, granted a feeling of self-satisfaction for the so-called "fittest" and a touch of sin to the others.

Nevertheless, Professor Gottfried Haberler³ and a few others seem to believe that nothing—or so few—should be added to the "revelation" Ricardo received some one hundred and fifty years ago of the "Principles of Political Economy."

Two years after the publication in 1817 of the "Principles," a banker from Geneva, Simonde de Sismondi, published in 1819 in Paris his "Nouveaux Principes" evidently critical to the classic dogma today known to every school boy. Sismondi pointed that will the principles be applied the rich will become richer and the poor poorer; more will be gained by producing the luxury to satisfy the wishes of the "have" than the necessities to meet the primary needs of the multitude; and even more "overproduction" and low prices will occur on the market at the time when the masses will be hungry, unable to pay even the low prices of the depression because their income will be even more depressed.⁴

The best forecast is evidently not Ricardo's. And there is no place in such an economy for readjustment, even less for development. Let us consider the very Ricardian example for his theory of comparative advantages. United Kingdom's textiles and Portuguese Portwine—who did benefit from such trade? Did Portuguese economy develop? It has developed—but is it the kind of relative development which can make the world in which we are living, better? more harmonious and peaceful—which means that the poor must develop quicker than the rich.

The Ricardian theory is an over-simplified model of what has happened to Great Britain and explains in rather simple terms, how Great Britain developed in the late 18th and the 19th century. Such development was obtained in a complex series of circumstances never known elsewhere and which cannot be expected to give way for a parallel development—in the developing countries of the late twentieth.

In a report to the GATT (General Agreement on Tariffs and Trade) a group of experts under the chairmanship of Professor G. Haberler, explained, a few years ago, that by offering import markets to the developing countries for their agricultural commodities, their problems would be solved. Trade is a good way to earn—at first glance it is an easy way—but two assumptions should be made: first, you should have something to sell and second, you should be able to obtain a price high enough to pay for it. It is no use to sell much, by losing on each deal, for you cannot make better out of quantity. Surely enough, if the commodity had been obtained by plunder it could be offered in the market at low prices—but even if Frederic Bastiat imagined "that the ancient Greeks and Romans lived by plunder alone," Karl Marx was right⁵ (note to section 4: The fetishness

3. International Conference of Agricultural Economists (XII), Lyon, France, 1964.

4. M. Cepede, F. Houtart and L. Grond: Population and Food, Sheed and Ward, New York, 1964.

5. Karl Marx: Capital—A Critical Analysis of Capitalist Production, Translated from the third German edition by Samuel Moore and Edward Aveling and edited by Frederick Engels, XIIIth edition, William Glazier Ltd., London, 1909.

of commodities and the secret thereof, of Chapter I, Part I of Capital) in saying: "But when people plunder for centuries, there must always be something at hand for them to seize; the objects of plunder must be continually reproduced. It would thus appear that even Greeks and Romans had some process of production, consequently an economy" . . . the same for Great Britain; neither the antique nor the British example will allow us to think on development in terms of market only Even more for developing countries which—contrary to Greeks, Romans and British merchants—have very little at hand for them to seize and must continually reproduce the objects of plunder."

The economics of development lead to consider not only trade but the whole economical process including production and consumption and here orthodoxy fails to give the answer.

Much better than the United Kingdom's example of development is the American one—at least for such developing countries which have at their disposal "virgin soil" to be "colonised by free immigrants"—a case on which both the classics and Karl Marx⁶ elaborated at length in the middle of the 19th century. In Chapter XXXIII (Part VIII of Capital) entitled: The Modern Theory of Colonization, the latter discussed the misgivings of E. G. Wakefield⁷ regarding these free immigrants who definitely prefer to till their own land than to be wage earners and even more do not agree on the key for economic development, in the true Smithian orthodoxy, *i.e.*, division of labour. According to Wakefield "all the members of the society are supposed to possess equal portions of capital . . . no man would have a motive for accumulating more capital than he could use with his own hands. This is, to some extent, the case in new American settlements, when a passion for owning land prevents the existence of a class of labourers for hire" "Free Americans who cultivate the soil follow many other occupations" . . . while "in America the cultivation of land is often the secondary pursuit of a blacksmith, a miller or a shopkeeper." "What is now," according to Wakefield, "the consequence of this unfortunate state of things in the Colonies?" A barbarising tendency of dispersion "of producers and national wealth."

So Marx and Wakefield agree on one point—the refusal by free immigrants in American agriculture to work as hired workers and to confine their activity to producing agricultural commodities for the market will impede the development in the United States of a capitalist economy. These people react as true peasants. And we know that modern industry can develop only on the grave of peasantry. Wakefield would have subscribed to this phrase of Marx: "In the sphere of agriculture, modern industry has a more revolutionary effect than elsewhere, for this reason, that it annihilates the peasant, that bulwark of the old society, and replaces it by the wage labourers. (Part IV, Chapter XV, Section 10: Modern Industry and Agriculture of Capital). The two classical and marxist views, while agreeing for once, were both wrong in their forecasts: U.S. capitalistic economy developed notwithstanding the fact that evidences can be found,⁸ at least in agriculture, that

6. *Ibid.*

7. E. G. Wakefield: *England and America*, 2 Vols., London, 1833.

8. Michel Cepede, "The Character of Changes in Agriculture"—Introductory Statement, Report to the First World Congress of Rural Sociology, Dijon, France, August 1964.

such contrary characteristics has been maintained; e.g., George M. Beal⁹ noted that there is only one hired worker for four active workers engaged in U.S. Agriculture. Moreover, if we agree that a "family farm" is any farm in which less than 1.5 man-years of hired labour is employed per year, 96 per cent of the U.S. farms are "family farms" producing 80 per cent of U.S. agricultural products. Though the number of farms is declining in the States, the group which is growing faster than any other happen to be the group of such "family farms" selling more than \$ 10,000 worth of products on the market. The division of labour is not better adopted by the North American farmers, as George M. Beal also stated that in 1962, 35 per cent of the average income per U.S. farmer was of non-farm origin, the corresponding figure was 31.5 per cent in Canada in 1961.

In analysing the impact of modern industry on agriculture, Karl Marx¹⁰ made a very impressive forecast which should have been considered by those who advocate progressive agriculture. Marx wrote in conclusion of Section 10 of Chapter IV : "Moreover, all progress in capitalistic agriculture is a progress in the art, not only of robbing the labourer, but of robbing the soil; all progress in increasing the fertility of the soil for a given time is a progress toward ruining the lasting sources of that fertility. The more a country starts its development on the foundation of modern industry, like the United States, for example, the more rapid is this process of destruction. Capitalist production, therefore, develops technology, and the combining together of various processes into a social whole, only by sapping the original sources of all wealth—the soil and the labourer." Every farm economist knows that notwithstanding the warning of agronomists, both ourselves and foreigners, from the early 1800 on, the depletion of soil fertility and erosion was dangerously going on in the United States until Franklin D. Roosevelt created, in 1932, the soil conservation service, and only in 1945, among the economists Theodore W. Schultz made the economics of it when writing:¹¹ "Much of the cost of soil erosion escapes the private ledger of individual farmers, to be borne subsequently by society. This means that the price of farm product does not include all its costs. Since this is true, should the United States discourage the export of these crops ? Presumably we sell them at net loss."

Such unorthodox calculation should be made by any exporter of agricultural products. "Mining agriculture"¹² is depleting our plundered planet and the developing countries are not wealthy enough to sell their exports at net loss. If they need to export to be able to pay for their development, they should satisfy themselves that their exports are at net profit, not at net loss. For food, which is so important for insuring health¹³—a "producer good," says T. W. Schultz—and labour productivity, we have insisted¹⁴ that it will be considered as a "production factor," the question should be raised whether it is worth selling it on the world market or better be consumed at home by the producing country's po-

9. George M. Beal, "The Character of Changes in Agriculture—North America," Report to the First World Congress of Rural Sociology, Dijon, France, August, 1964.

10. *Op. cit.*

11. T. W. Schultz : Agriculture in an Unstable Economy, McGraw Hill, New York, 1945, p. 154.

12. Michel Cepede, F. Houtart and L. Grond : Population and Food, *Op. cit.*

13. *Ibid.*

14. Michel Cepede, "Food Consumption as a Production Factor," *The Indian Journal of Agricultural Economics*, Vol. XIV, No. 4, October-December, 1959.

pulation. Such calculations were not foreseen by the theory of comparative advantages and costs.

According to Francois Perroux' precise vocabulary "development" should be made distinct of "growth," in so far that "growth" may happen in an unchanged structure and "development needs a change in structures themselves."¹⁵ Even for "growth," as soon as we have to consider production and consumption we need to take into consideration true human beings and not only the "homo economicus" model, because human beings do react in a different way and it is their reactions which matters and not how they should have reacted.¹⁶ In the developing countries, economic growth is not sufficient, structures should change and true development start—in these cases there is no one clear-cut answer. We are pathologists, and should treat economic and social diseases in just the same way as human diseases: Without a clear diagnosis we shall be led to advocate general economic measures—just as Moliere's doctors prescribed clysters, purgatives and leeches regardless, or almost regardless of what the complaint might be. The interaction of the factors of under-development, in different proportions and combinations may well call for different and conflicting remedies.¹⁷ Fortunately enough, in the real world, there may be place for choosing between different ways and means to obtain a certain result, every individual or group may have his own preferences for ways and even for goals. Entering into development means that we have to commit ourselves into action and not only explain what should be a theoretical answer. A rather pessimistic old politician expressed the view that "politics is the art to make people prefer the unavoidable." Sociologists and economists should be able to show that there is, for each case, more than one possibility of choice. By the way, they will allow policy-makers to be in a much more optimistic position and with the help of science, politics can be made the art of marking the preferable unavoidable. But such science cannot be mere classical orthodoxy. Development needs more than classics—it calls for true economic and comprehensive social science—it calls for heresy.

15. International Conference of Agricultural Economists (XIth), Cuernavaca, Morelos, Mexico, 1961.

16. Regional Rural Development Programmes, OECD Documentation in Agriculture and Food, No. 66, Paris, 1964.

17. *Ibid.*