

International Obstacles to Rural Development: How Neoliberal Policies Constrain Competitive Markets and Sustainable Agriculture

Jerry Buckland*

ABSTRACT — *This paper analyses key changes to international agriculture during the neoliberal period (roughly from the 1980s until today), including structural adjustment, agricultural trade policies, corporate control, and intellectual property rights (IPRs), from two different theoretical perspectives: market-driven economic growth (similar to neoclassical economics) and sustainable agriculture. It first examines what market-driven economic growth and sustainable agriculture say about the ideal structure of the agricultural economy. Next, the paper explores whether the identified changes to international agriculture are consistent with these theories. It finds that there is surprising consistency between the two theories' critiques of the key changes associated with the neoliberal period.*

RÉSUMÉ — *L'auteur analyse les principaux changements survenus dans l'agriculture internationale durant la période néolibérale (des années 1980 à nos jours) qui comprennent notamment : les ajustements structurels, les politiques commerciales touchant l'agriculture, le contrôle des entreprises et les droits de propriété intellectuelle. Il utilise, pour ce faire, deux perspectives théoriques distinctes : la croissance économique déterminée par le marché (semblable à l'économie néoclassique) et l'agriculture durable. L'auteur examine d'abord ce que disent ces deux perspectives sur la structure idéale de l'économie agricole. Il étudie ensuite dans quelle mesure les changements observés dans l'agriculture internationale se conforment ou non aux deux théories choisies. Il constate une cohérence surprenante entre les critiques que les deux théories adressent aux principaux changements associés à la période néolibérale.*

INTRODUCTION

The reality for farmers and rural society in the South is rapidly changing. Structural adjustment, agricultural trade liberalization, involvement of corporations, and Western-style intellectual property rights (IPRs) are dramatically changing the context in which people gain, or increasingly lose, their rural livelihoods. Arguably, the core concept driving these international changes since the 1980s is neoliberalism, a complex ideology rooted in but not dominated by neoclassical economic theory. Neoclassical economics finds that society's good is best achieved through independent actions of consumers and firms in competitive markets and minimal state involvement. Neoliberalism is often described in this way and is considered by proponents as a balanced and competitive system. However, through uneven structural adjustment and agricultural trade liberalization, it is associated

* I wish to thank participants at the 1 March 2004 seminar at the Department of Economics at the University of Manitoba, Winnipeg, and two anonymous reviewers.

with international changes that involve uneven markets and large and influential actors (e.g., transnational corporations [TNCs]) that have a growing set of tools (e.g., market concentration, Western-style IPRs) to control markets.

Theories such as radical political economy and sustainable agriculture are critical of neoliberalism based on either the theoretical approach or the vision embedded in the approach. Neo-Marxist or dependency theories find that neoliberalism is aggravating poverty by strengthening TNCs' control of markets. Neoliberal-style economic growth reinforces processes of underdevelopment in class or region. Sustainable agriculture is in conflict with the neoliberal vision of change as it is concerned with supporting farmers, farm communities, and the farm environment. Neoliberalism on the other hand seeks economic growth, international trade, and corporate control that at times threaten healthy farms, while sustainable agriculture calls for adjustment.

This paper considers how consistent neoliberal changes are with two theoretical approaches: market-driven economic growth (similar to neoclassical economics) and sustainable agriculture. It finds that there is surprising consistency between market-led economic growth and sustainable agriculture, and surprising inconsistency between neoliberalism and market-led economic growth. The paper begins by examining the role of rural development in the contemporary literature on development. It describes the nature of market-driven economic growth and sustainable agriculture by examining their core concepts, causal relationships, and vision founded in each of these approaches. The paper then describes major international changes affecting rural development and critiques them using the market-driven economic growth and sustainable agriculture approaches.

I. WHY RURAL DEVELOPMENT?

Rural development is a critical issue not only because farmers produce food for the rest of us; rural people and farmers also represent a significant share of the South's population and its poverty. Globally, the farm population stood at 2.58 billion in 2000 and is expected to rise marginally to 2.63 billion in 2010 (FAO 1999). Some 43% of people worldwide were engaged in agriculture in 2000 and it is projected that this will drop to 39% by 2010. Rural people and farmers are overrepresented among the poor. Based on the "dollar-a-day" poverty line, the number of poor people has grown from 1.18 billion in 1987 to 1.20 billion in 1998 (World Bank 2001). It is estimated that rural poverty represents three-quarters of total income poor today and is regionally concentrated in South Asia and sub-Saharan Africa (Table 1) (IFAD 2001, 15). Farmers and landless labourers in particular dominate the numbers of the rural poor, who are heavily dependent on staple food production: "Agriculture provides about 60–75 percent of rural work; staples cover about 62 percent of arable area; and the rural poor are relatively more likely to grow staples" (IFAD 2001, 23). Other measures of poverty such as access to clean water, health care, education, and literacy level show little if any improvement over the last 20 years for rural people, particularly women (Buckland 2004). Add to this the fact that internationally the prices for farm products relative to manufactured products have declined through the 1980s and 1990s (Buckland 2004, 67).

The contemporary tradition in rural development is rooted in neoclassical economics and neo-Marxist and dependency theories. Liberal development economics in the 1950s and 1960s placed limited emphasis on rural development. For instance, W. Arthur Lewis' (1958) theory of unlimited supplies of labour argued that the centrepiece of national development was industrial development and that this could be accommodated by shifting farmers to factories. The unlimited labour supply theory posited that agriculture in the South was characterized by an overabundance of labour leading to unemployment and underemployment. Shifting workers from agriculture to industry could

Table 1. Total and Rural Income Poverty by Region, 1987–1998 (millions of people)

	1987	1990	1993	1996	1998	1998 Rural (75%)
Sub-Saharan Africa	217	242	273	289	291	218
Middle East and North Africa	9	6	5	5	6	4.5
East Asia and Pacific	418	452	432	265	278	209
South Asia	474	495	505	532	522	392
Latin America and Caribbean	64	74	71	76	78	59
Transition countries	1	7	18	24	24	18
Total (millions)	1183	1276	1304	1191	1199	899
Total as % of world population	28	29	28	25	24	18

Source: World Bank (2001)

fuel industrialization. Since labour's marginal productivity in agriculture was very low, the opportunity cost of this shift was very low. The unlimited labour supply theory provided the theoretical rationale for a pro-industrial national development strategy.

The resulting anti-agriculture bias is found in many, but not all, liberal and radical theories of that time. There are pro-agriculture perspectives found in neo-Marxist and dependency literature, including those of Clive Thomas and Harriet Friedmann. Thomas (1988) was critical of development strategies that neglected peasant agriculture (127) and advanced a development strategy that focused on basic goods and basic needs, whereby the state supports agriculture to provide for society's needs (365). Friedmann (1995) called for "democratic regulation of regional food economies," whereby agriculture is directed at meeting food needs and farming is rooted in the "needs and capacities of communities." From the liberal tradition, Theodore Schultz and John Mellor placed more emphasis on the role of agriculture for overall economic development. Contrary to widely held beliefs at that time that the small farmer was backward, lazy, or simply irrational, Schlutz's (1964) *Transforming Traditional Agriculture* argued that the farmer was a rational economic agent. The small farmer could therefore participate in rational economic plans and markets for economic development. Mellor (1995) held that agricultural development is a prior need to industrial development and can contribute to national development by providing food, raw materials, foreign exchange, markets, labour, and savings for industrialization. Moreover, Mellor found that over time there is a dynamic relationship between the farm and industry sectors through production and, in particular, through consumption linkages, as demonstrated in South Korea and Taiwan. With the appropriate set of supportive policies and programs, as farm incomes rise, so does farmer consumption of agricultural inputs and consumer goods, stimulating industry. Industrial growth then attracts more farm workers, bids up rural wages, and improves rural living standards.

The pro-industry bias found in many development theories is reflected in state policy in much of the South at that time. Many Southern nations during the 1950s and 1960s pursued what Michael Lipton (1977) termed "urban-biased" policies. These were policies that taxed agriculture through such things as an overvalued exchange rate and state purchase of food grains at depressed prices. In addition, the policies supported urban industrial development through tax concessions, cheap credit, and government spending on cities and infrastructure. Fixing this urban-industrial bias was one of the early World Bank justifications for structural adjustment, and was reflected in the phrase "getting prices right." The World Bank argued that many Southern states in pursuit of industrialization had depressed the relative prices of agricultural outputs and artificially raised the relative prices of manufactured goods. Structural adjustment would change these relative prices to