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Development strategies and rural development: exploring synergies, eradicating poverty

Cristóbal Kay

This essay reviews some of the main interpretations in development studies on agriculture's contribution to economic development. It explores the relationship between agriculture and industry as well as between the rural and urban sectors in the process of development. These issues are discussed by analysing the so-called 'Soviet industrialisation debate', the 'urban bias' thesis, the development strategies pursued in East Asia and Latin America from a comparative perspective, the impact of neoliberal policies on rural–urban relations and the 'agriculture-for-development' proposal of the *World Development Report 2008*. The main argument arising from analysing these issues is that a development strategy which creates and enhances the synergies between agriculture and industry and goes beyond the rural–urban divide offers the best possibilities for generating a process of rural development able to eradicate rural poverty.

Keywords: rural development; rural poverty; agriculture–industry synergies; rural–urban relations; development strategies

Introduction

Primitive accumulation has, historically, been central to the earliest stages of the transition to capitalism, and has involved immense suffering and social waste. Yet, while it has been a necessary condition for successful capitalist transition and its accompanying structural transformation, it has never been more than a preliminary to them. Such transition has required full-scale capitalist industrialisation and a transformed, productive agriculture; and this has entailed cumulative capitalist accumulation. These have necessitated certain kinds of class formation. All of the relevant processes have been mediated, in one way or another, by an emerging capitalist state. Critical have been the creation of accumulation-oriented capitalist classes and of a proletariat (both rural and urban) – the latter possible by the separation of peasants from their means of production. (Byres 2005, 89–90)

The world is at a turning point as for the first time in human history the urban population is today larger than the rural population. However, poverty has still overwhelmingly a rural face and the rural economy and society still perform a vital part in the development process and in people's well-being. Current concerns about global warming, deforestation, the food crisis, genetically modified organisms

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(GMOs), agrofuels, food sovereignty, famines, rural poverty and international migration, among others; reveal the continuing relevance of the agrarian and rural problem. While recognising the relevance of all these issues this paper does not deal specifically with most of them. Instead it is concerned with the broader issue of finding a development strategy which is able to generate a development process capable of improving people's well-being, reducing inequality and eradicating poverty. The various current concerns mentioned are best dealt within such a comprehensive framework. Hence, in this article I discuss development debates which already took place almost a century ago, as well as contemporary ones, as they provide significant insights for constructing and proposing alternative development strategies which are capable of tackling the contemporary problems mentioned. Neoliberal policies have utterly failed to resolve these urgent problems and may have made them worse. Hence there is urgency for exploring and implementing alternative development strategies.

In this essay I examine the role of agriculture in economic development as proposed by development thinkers as well as in some concrete development experiences. While some development economists have argued that agriculture is the key to development, others have argued that it is only by industrialising that development can ultimately be achieved. Those upholding the former position can be described as 'agrarianists' while the latter can be named as 'industrialisers'.¹ While the agrarianists tend to neglect industry's development and hence the role that agriculture can perform in the process of industrialisation, the industrialisers tend to neglect agriculture's development and hence the role that industry can perform in the process of agricultural development. It is argued in this article that the most successful development strategy is one in which the State is able to exploit creatively the synergies between both sectors by developing their complementarities and enhancing their dynamic linkages.

I start by examining briefly the arguments of the industrialisers and then proceed to analyse the agrarianist position.² I discuss in particular the agrarianist critique of the industrialisation process in Less Developed Countries (LDCs) by focusing on the 'urban bias' (UB) thesis proposed by Michael Lipton (1977). The ensuing debate generated by the UB thesis is presented next. As a way to overcome the limitations of the agriculture–industry dichotomy, I then proceed to outline and illustrate my 'synergy' thesis by contrasting and evaluating the development process of East Asia and Latin America since the end of the Second World War. This is followed by an analysis of how the transformation brought about largely by neoliberal policies since the 1980s reveals more clearly the limitations of the UB thesis for explaining rural poverty and as an agrarianist proposal for eradicating rural poverty. Finally, the

¹The slogan used for the agrarianists is 'agriculture first', i.e. agriculture has to be developed first and given priority over industry, while for the industrialisers it is 'industry first'. Saith (1992, 102–7) distinguishes seven incarnations of the 'agriculture first' development discourse which includes the works of Bukharin, Chayanov, Mellor, Lipton and the World Bank, among others, all of which are referred to in this article.

²In an authoritative article on development strategies and the rural poor Saith (1990) refers to the industrialisers as the 'industrial trickle-down' development strategy and to the agrarianists as the 'agriculture trickle-down' position. The former believe that industrialisation will trickle down to the poor and the latter believe that it is agricultural growth that will trickle down to the poor. In his view both strategies have failed to trickle-down to the poor and hence the need for alternative development strategies. In this article I try to sketch out a possible alternative development strategy which is able to eradicate poverty.

recent 'agriculture-for-development' strategy presented in the *World Bank Development Report 2008* is discussed by revealing the lingering influence of the agrarianist UB thesis. The critical examination of this 'new agrarianist' position serves to highlight further the limitations of this approach in the contemporary period. It also illustrates the even greater relevance of the 'synergy' approach for the design and implementation of a development strategy which is able to achieve development with the eradication of poverty.

'Industrialisers' and the primacy of industry in development

In the early post-war period development economists in devising a development path for the LDCs tended to draw upon the various historic examples of development of the now developed countries (DCs) such as Great Britain, Japan and the Soviet Union. As most LDCs at the time were largely agricultural countries development economists were particularly interested in examining the role that agriculture could play in the process of industrialisation. However, there is controversy among economic historians as to the timing, magnitude and impact of the resources flows between agriculture and industry in the early stages of economic development. For example, even in the case of Great Britain, which experienced the first industrial revolution in the world, there is no consensus on this matter due to conflicting bodies of evidence and their interpretation.³ While some historians, such as Kerridge (1967), argue that Britain's agricultural revolution happened prior to the industrial revolution, others, like Deane (1965), argue that the agricultural revolution was contemporaneous to the industrial revolution and is best regarded as forming part of the same process of economic development (Overton 1996). In short, 'the performance of agriculture in Britain has become central to most of the key debates on the Industrial Revolution' (Clark 1993, 266). These historical controversies reveal how important it is to discuss the intersectoral relations between agriculture and industry in the process of economic development (Mellor 1973) as the remainder of this article aims to substantiate regarding LDCs.

Industrialisation was seen as the road to modernity and development for countries emerging from colonialism and described at the time as 'backward'.⁴ The lessons which development economists took from the successful development experience of the DCs were that the transfer of a large agricultural surplus⁵ was a precondition for initiating a process of industrialisation in LDCs (Ghatak and Ingersent 1984). It was generally taken for granted that development strategy should give primacy to industrialisation. This euphoria for industrialisation in the

³The industrial revolution in Great Britain is generally dated from the last two decades of the eighteenth century to the first three decades of the nineteenth century.

⁴Almost all Latin American countries had already achieved independence by the first half of the nineteenth century and many were already well on the path of industrialisation during the decolonisation in Africa and Asia.

⁵An agricultural surplus can be defined and measured in various ways (Nicholls 1963, Saith 1985, 17–28, Karshenas, 1990, 1994). A common and simple meaning of agricultural surplus refers to the total value of agricultural production minus what the agricultural sector retains for its own consumption and reproduction. The gross agricultural surplus thus refers to that part of agricultural output that is not retained by the sector itself and which is transferred to other economic sectors through a variety of means. The net agricultural surplus is equal to the above less what the agricultural sector purchases from other sectors, such as industrial consumer and investment goods as well as services.

immediate post-war years, especially in the newly independent countries of Asia and Africa, focused attention on how agriculture could contribute to industry and left largely unexamined the question of what if any contribution industry could make to agriculture (Kuznets 1964). Textbooks on economic development have tended to view agriculture as a subsidiary sector whose task is to underpin an industrialisation process in LDCs.⁶ So for example, in their classic article, Johnston and Mellor (1961) argued that agriculture's function in economic development was to supply food, raw materials, capital, labour and foreign exchange for industry as well as creating a home market for domestically produced industrial products. Some development economists argued that industrialisation in itself would stimulate agriculture by offering employment and higher wages to those who migrate from the rural areas to the urban industrial areas and a market for agricultural commodities.

One of the pioneers of development economics, Kurt Mandelbaum who later changed his surname to Martin, argued in 1945 for the industrialisation of 'backward areas' by transferring the surplus and less productive labour of the rural sector to the more productive industrial sector (Mandelbaum 1945).⁷ Sir Arthur Lewis (1954, 139) later developed this idea in his classic dual economy model which distinguished between a 'traditional' sector and a 'modern' sector. Lewis argued that a key characteristic of LDCs was their 'unlimited supply of labour'. The transfer of this surplus labour from the traditional sector to the modern sector could be done at almost no cost to the traditional sector as they contributed little or nothing to agricultural production. In the modern sector this new labour would achieve a much higher productivity due its technological superiority but their wages would remain close to the subsistence income they received in the traditional sector. This transferred labour by raising output well above their wages in the modern sector would thereby enhance profits, capital accumulation and economic growth. Lewis's model has subsequently been used to analyse the relationships between agriculture (identified as the traditional sector) and industry (identified as the modern sector) by many development economists such as Ranis and Fei (1964). However, Lewis himself did not make these overlapping identifications as his model aspired to be more general. Accordingly, it left open the possibility of a modern sector within agriculture and a traditional sector within the urban sector, as in the so-called informal economy.

Viewing agriculture solely within the prism of surplus extraction for industry could seriously endanger the general process of economic development (Nicholls 1964). While an insufficient surplus transfer from agriculture to industry might hold back industrialisation (Mundle 1985), too great an extraction might lead to agriculture stagnating and thereby run the danger of killing the goose which lays the golden eggs and stifling economic growth. On the one hand, agriculture would be left

⁶See, for example, the readers on agricultural economics by Fox and Johnson (1970), Eicher and Witt (1964), Wharton Jr. (1969) and Eicher and Staatz (1984).

⁷Another pioneer of modern development economics Paul Rosenstein-Rodan (1943), also an advocate of the industrialisation of 'underdeveloped countries', already before Mandelbaum and Lewis wrote about an 'excess agrarian population' (disguised unemployment) which could be seen as a source of development by transferring it to the emergent industry where their labour would be more productive. In his later writings on LDCs, Martin (1982) advocated agrarian reform for tackling the problems of the 'labour-surplus condition', rural poverty and inequality as well as stressing the importance of agriculture in providing a marketable surplus to the growing non-farm population thereby underpinning the process of industrialiation.

with too few resources to invest and hence be unable to provide an adequate supply of food and raw materials to the nonagricultural sector. On the other hand, rural incomes may not grow enough or even decline, thereby restricting the home market for industry. The relevance of this dilemma and a way to deal with it is suggested by Martin (2002, 6, 7) who argues that ‘financial resource outflows from agriculture and agricultural productivity gains can go together . . . provided that the productivity gains in agriculture do not themselves necessitate large-scale capital investments *within* agriculture.’ Unfortunately his warning has not always been heeded and its implications are forcefully illustrated by a debate which took place in the former Soviet Union to which I turn next.

The Soviet industrialisation debate

During the 1920s a major debate on development strategy took place in the Soviet Union. Known in the literature as the ‘Soviet industrialisation debate’ (Erllich 1960), it involved two opposing conceptions of the relationship between agriculture and industry in the process of development in the context of a socialist transition. The Soviet experience and in particular the debate between Bukharin and Preobrazhensky (both Marxist intellectuals and prominent members of the communist regime) reveal the central importance of this issue. The revolutionary regime implemented a New Economic Policy (NEP) during the years 1921 to 1929 so as to restart the economy which had been ravaged by the First World War, the revolution and the subsequent civil war (Bernstein 2009, 55–81, this collection). The main concern of NEP was ‘to satisfy the middle peasantry as much as possible without damaging the proletariat’s interests’ (Mandelbaum 1979, 539, quoting from a speech by Lenin at the Tenth Congress of the Russian Communist Party held in 1921). The ideas of Nikolai Bukharin much influenced the shaping of this policy which aimed to restore food production by allowing a free market and higher prices for agricultural commodities, so as to entice peasants to invest, expand production and to sell much of the increased output to the market rather than keeping it for self-consumption. Hence the industrialisation process had also to satisfy the needs of the peasantry as otherwise they would be reluctant to release their marketable surplus. Bukharin argued that industrialisation could only proceed at a pace at which the agricultural sector was able to produce, and peasants were willing to provide, a marketable surplus.⁸ For,

the more solvent the peasants are, the faster our industry develops. The greater the accumulation in our peasant economy – in other words: the sooner the peasants overcome their poverty, the richer they become . . . the more they are able to purchase the commodities made by urban industries – the more rapidly the accumulation in our industry takes place. (Bukharin as quoted by Mandelbaum 1979, 540)

⁸Shanin (2009, 83–101), in his fascinating essay in this collection, argues that ‘a version of “chayanovian” strategy of rural reconstruction’ much influenced the followers of Bukharin within the leadership of the Communist Party (2009, 89). No wonder that several decades later and in the context of LDCs, during the debate between Marxists and followers of Chayanov, which took place mainly during the 1970s and manifested itself with particular force in the debate between ‘*campesinistas*’ (‘peasantists’) and ‘*descampesinistas*’ (‘de-peasantists’) or ‘*proletaristas*’ (‘proletarianists’) in Latin America, a ‘Chayanovian Marxist’ current emerged which combined ideas from both currents of thought (Kay 2000). For a subtle and empirically-based analysis which combines ideas from Chayanov and Marxism, see Deere and de Janvry (1979) and Deere (1990). For a critique of ‘Chayanovian Marxism’, see Lehmann (1986).

Evgeny Preobrazhensky (1965) argued that such a policy would favour the rich peasants or *kulaks* whose aim was to become capitalist farmers and who would thus oppose any socialist transition. Peasant farming was also seen as impeding rapid progress in agriculture. The revolution was becoming hostage to the rich peasants who were not expanding production quickly enough for the requirements of a rapid industrialisation process. Preobrazhensky argued that as under capitalism, the transition to socialism required its own 'primitive socialist accumulation' (Harrison 1985).⁹ This was to be achieved by manipulating the terms of trade against agriculture and in favour of industry. He proposed to entice peasants to join collectives, which would be supported with mechanisation and the provision of fertilisers. Collective farming was thus able to achieve economies of scale enabling faster growth in agricultural output which could then be transferred to industry through unequal exchange.

This dispute within the regime was brought to a brutal conclusion with Stalin's forced, rapid and massive collectivisation of the peasantry.¹⁰ Contrary to what was assumed at the time and for several decades after, collectivisation did not lead to an increase in the net transfer of an agricultural surplus from agriculture to industry (Ellman 1975). As collectivisation failed to raise agricultural production the increased supply of agricultural commodities to the urban areas was at the expense of consumption in the countryside. Industrialisation was achieved but at an extremely high social cost. Stalin's forced collectivisation was in a way self-defeating as it led to a fall in agricultural output. Although it did succeed in extracting a higher proportion of agriculture's output to be delivered to the cities this was obtained only through compulsory delivery quotas imposed on the collectives. To compensate for the massive slaughter of draft animals used for ploughing and other economic activities, as an expression of peasant opposition to forced collectivisation, industry had to deliver an increasing quantity of tractors. Standards of living in the countryside deteriorated dramatically leading to famine and flight from the land. This massive migration to the cities provided the cheap labour force that fuelled the country's rapid industrialisation. Only by lowering the living standards of both rural and urban workers was it possible to increase the investment resource for industry (Ellman 1978). It is an open question whether Bukharin's peasant way, albeit transitory, or a voluntary collectivisation process could have achieved similar rates of economic growth without demanding such high sacrifices from the people and having such self-destructive consequences (Chandra 1992).

This debate had a major influence in development thinking, especially in those countries attempting a socialist path of development, as it was one of the first major debates on development strategies and planning. More generally, several of the issues raised by the Soviet industrialisation debate – such as the relative merits of

⁹There exists a large body of work which studies the relationship between capital accumulation, including of a 'primary', 'primitive' or 'original' kind, and the peasantry in the Marxist and associated literature, see, for example, Saith (1985, 1995), FitzGerald (1985) and Wuyts (1994).

¹⁰First Bukharin but later also Preobrazhensky became victims of Stalin's purges. Chayanov also was a victim of Stalinism. For a remarkable reflection on Chayanov's shifting influence in rural studies and policies, see Shanin (2009, 83–101, this collection). For a lucid discussion of the 'Lenin–Chayanov debate' and its contemporary relevance, see Bernstein (2009, 55–81, this collection). For the related and more general debate between the 'neopopulist' Chayanov and the 'agrarian Marxists', see Cox (1979), Harrison (1979) and Patnaik (1979). There is a large literature critical of the neopopulist agrarians, see Bernstein and Brass (1996/1997), Brass (1997, 2000) and Cowen and Shenton (1998a, 1998b), among others.

peasant farming and collective farming, of small-scale agriculture and large-scale agriculture as well as the timing, sequence and type of industrialisation – are central to more recent debates on the relations between agriculture and industry and the sequencing of the industrialisation process. These issues will come up at various points throughout the remainder of this essay.

‘Agrarianists’ and the primacy of agriculture in development

In the early post Second World War period, the views of the industrialiser group predominated. In the initial phase of import-substituting-industrialisation (ISI), the so-called ‘easy phase’, industry grew quite fast as it benefited from protectionism and a series of supportive government measures such as credit and public investments in the required infrastructure. But after one or two decades of rapid industrialisation problems came to the fore. Among these were the saturation of the domestic market which meant that firms could not make full use of their installed capacity, problems arising from the fact that industry had diversified too quickly, the inability to exploit economies of scale which meant that firms could not compete in the international market, and shortages of foreign exchange which restricted the importation of raw materials, spare parts and capital goods thereby strangling industrial expansion (Little, Scitovsky and Scott 1970).

As the shortcomings of the ISI became increasingly apparent in the 1960s and as agricultural production began to falter, the voices of those who emphasised the dangers of neglecting agriculture in the development process became more audible. According to the agrarianists, development strategy in LDCs should have prioritised agriculture given that the majority of the population was rural, labour productivity was low and rural poverty levels were high. Adherents of this argument, as well as neoclassical economists, pointed out that LDCs enjoyed comparative advantages in agriculture and other primary commodities and advocated that they should continue to specialise in the export of these commodities and import the necessary industrial products from the DCs. Some authors within this strand did not deny that some LDCs could industrialise at some time in the future but for most countries ISI had been premature. Furthermore, if industrialisation was warranted it should not rely on protectionist measures as this would lead to inefficiencies and rent seeking. It is within this context that the UB thesis of one of the most prominent agrarianists was formulated.¹¹

¹¹A distinction may be made between ‘neoclassical agrarianists’ such as T.W. Schultz (1964) and ‘neopopulist agrarianists’, such as A.V. Chayanov (1966, orig. 1925), Teodor Shanin (1973, 1974, 1988) and Michael Lipton (1968a, 1977). Both prioritise agricultural development but whereas neopopulists believe that small-scale peasant household farming is superior to large-scale commercial farming (the ‘inverse relationship’), neo-liberals allow for the possibility of economies of scale and efficient large-scale farming. Instead of viewing peasants as traditional and backward Schultz saw them as ‘poor but efficient’. Neopopulists are in favor of State support for smallholders while neoclassicals and neoliberals prefer a minimalist State and argue that market forces should be given free reign so as to encourage competitiveness and eliminate inefficient producers who might include smallholders. Byres (2003a) distinguishes four neoclassical views in development economics, all of which he finds wanting as they fail to perceive the contradictions of capitalism and its exploitative nature. Furthermore, neoclassicals, like neoliberals, do not endorse a developmentalist State which he sees as crucial for achieving the required structural transformation for development (Byres 2006).

The urban bias thesis

In this section I will discuss the UB thesis put forward by the eminent British development economist Michael Lipton as it is one of the most forceful and comprehensive critiques of the industrialisers. In particular he was critical of government policies in LDCs which he argued favoured industry at the expense of agriculture. His UB thesis gained much popularity but also generated much controversy, especially during the late 1970s and the 1980s. However, its lingering influence can be detected in current development debates as I will show in the latter part of this paper. It is for these reasons that the UB thesis merits more detailed discussion. Lipton (1968b) made an early critique of the emphasis placed by development economists on industrialisation. Writing on India, Lipton accused government planners of UB. In his own words ‘farm policy is made by the towns, and to some extent for the towns’ (Lipton 1968b, 141). Such policies prioritising industry were explained by the fact that power resided in the urban sector and by the widespread acceptance of an ideology that viewed industry as epitomising modernity and peasants as traditional and conservative.

In Lipton’s view UB occurs through the State which, controlled by the urban class, under-allocates resources to, and extracts surpluses through a variety of means from, the rural class. ‘UB involves, first, an *allocation*, to persons or organisations located in towns, of shares of resources so large as to be inefficient and inequitable, or second, a *disposition* among the powerful [urban classes] to allocate resources in such a way’ (Lipton 2005, 724, emphasis in original). He stated that since about 1950 governments in LDCs had allocated public resources such as expenditure on health, education and infrastructure in favour of urban areas. In addition the urban sector was favoured through what he called ‘price twists’ and exchange rate, taxation, subsidy and credit policies. Price twists were the consequence of State measures, which caused outputs from rural areas to be under-priced, and inputs into rural areas to be over-priced when compared to a market norm. In short, governments through deliberate action turned the terms of trade against agriculture in favour of industry.

Lipton objected to UB on grounds of efficiency and equity. It is this inefficient allocation and inequitable distribution of resources that perpetuates low rates of growth and poverty in LDCs. Lipton claimed that the priority given to industry since Indian Independence in 1947 had had a damaging effect on the growth potential of the economy as a whole. The under-allocation of resources to agriculture not only held back growth, as additional investment in agriculture would achieve a higher rate of return than in industry, it also hampered industrialisation as foreign exchange was diverted towards importing food rather than to essential raw materials for industry.

Furthermore urban-based industrialisation policies have an adverse impact on the development of rural areas and particularly on peasants. He argued that investment in peasant farming would yield higher returns than investment in large farms (whose owners, as will be seen, he considered to be part of the urban class). Large farms create less employment and output per hectare as compared to small farms.¹² Additional government expenditure in education and health in the rural

¹²This proposition that small-scale farms are more efficient than large-scale farms is referred to as ‘the inverse relationship’ (between farm size and efficiency) in the specialist literature and is much supported by the neopopulists, see Byres (2004).

sector would also yield a higher rate of return as well as have a greater impact on poverty reduction as compared to its allocated in the urban sector.

One of the effects of UB was to increase inequality between rural and urban areas, but also within the rural sector itself. In his words, ‘business and trade union leaders both want low food prices. They can “buy” them from the big landlords in return for loopholes in land reforms and in laws limiting interest rates; for low agricultural taxes; and for subsidised inputs for the big farmers’ (Lipton 2005, 141–2). While bigger and so-called progressive farmers might have something to gain, ‘inequality within the village, and between village and town, has been worsened, and growth has suffered’ (Lipton 2005, 142). The reduction or elimination of UB would improve equity, as income distribution was more equal in rural areas as compared to urban areas.

Lipton’s UB thesis generated much controversy inspiring many studies on the topic, particularly in Asia and Africa where urban bias was held to be most acute.¹³ Its emphasis on the exploitation of the peasantry and rural poverty may also have touched an emotional chord. The concept of UB began to circulate widely in development circles and beyond and was closely associated with his work. His UB thesis gained momentum at the same time as neoclassical economists launched an attack on ISI and may well have inspired a subsequent series of World Bank studies on price policies in developing countries revealing their distorted nature and negative impact on agriculture and economic growth (Krueger 1991, Schiff and Valdés 2004).

The UB thesis has been challenged on empirical grounds as well as on theoretical grounds. With regard to the empirical validity of Lipton’s claims, UB is beset by methodological and measurement problems. Lipton’s evidence and his interpretation of it have been strongly contested by Byres (1974), Mitra (1977), Varshney (1993) and Corbridge (1982), among others. For Byres (1979, 232) ‘Urban bias is a myth – a purely ideological construct – which has no empirical support; hardly any of its “effect” can be sustained by the evidence, while those that can are not explained by urban bias.’ Byres turned the tables on Lipton stating that India’s policy was rural biased and not urban biased.

Urban class and rural class

Many critiques focus on Lipton’s class analysis and his consequent views on State and policy formulation. Lipton’s views on class are indeed perplexing. Most controversially Lipton assigns groups such as landlords and rich farmers – commonly thought of as rural – to the urban class on the grounds that they are ‘bought off’ by the State through such measures as special dispensations on taxation, favourable prices, subsidised inputs and property rights and others, such as urban workers – commonly viewed as urban – to the rural class. As Byres (1979, 236) put it, ‘with deft sleight of hand, large proportion of the urban population are spirited away. It seems the ‘urban jobless’ ... are, in reality part of the single rural class.’ Such realignment of the rural rich to the urban sector and of the urban poor to the

¹³The publication of Lipton’s (1977) massive book of over 450 pages gave new impetus to the rural–urban debate. His UB thesis led to the publication of two special issues of the prestigious *Journal of Development Studies*, the first published in 1984 (Vol. 20, No. 3) and the second in 1993 (Vol. 29, No. 4), dozens of book reviews and countless references in journal articles and books.

rural sector leads to the ‘bizarre situation in which the people who control over half the land in rural areas are counted as beneficiaries of urban bias while the people who account for over half the labour force in urban areas are assigned to the rural classes and suffer from urban bias’ (Griffin 1977, 109).¹⁴

Lipton’s (1977, 13) most sweeping and controversial claim is that: ‘The most important class conflict in the poor countries of the world today is not between labour and capital. Nor is it between foreign and national interests. It is between the rural classes and the urban classes.’ He has been criticised for elevating a spatial or geographical divide, rather than an economic or social divide, into a key explanatory force in development policy and poverty (Corbridge and Jones 2005).¹⁵ By attempting to prioritise an over-arching rural–urban divide he fails to capture the main contradictions and dynamics both between and within rural and urban sectors. As expressed cogently by Byres (1979, 240): ‘Urban bias and its underpinning class analysis simply serve to conceal the true class antagonism and to divert attention away from the class struggle which is actually taking place.’ Moreover, ‘it utterly ignores the deep and fundamental class divisions of rural society, the brutal exploitation, the utterly divergent *class* interests.’ It also ignores the process of peasant differentiation.¹⁶ This problematic conception of class leads Lipton into a *cul-de-sac* as by not addressing the main class divisions, conflicts and contradictions in society, his analysis, in my view, fails to explain the structural causes of poverty and ‘why poor people remain poor’. Moreover, class relations are interwoven with ethnic, caste, gender, regional, religious and other factors that jointly determine the collective actions of social groups and classes. The UB thesis, however, generally fails to consider these factors.

While the interests of rural rich (landlords) and urban rich (industrialists) may at times overlap this is not because they both belong to an urban class, but because they enter into a class alliance, an alliance which straddles the rural–urban divide and which is inherently unstable. While such partnership between the rural rich and the urban rich might reinforce inequality and poverty, the explanation for rural poverty does not lie with UB but with class bias. Hence it makes more sense to speak in terms of a ‘landlord bias’ rather than a UB (Kay 2006). This landlord bias in public policy discriminates against rural workers and poor peasants in favour of landlords and rural capitalists. Landlord bias operates through a wide variety of measures and practices – from the blocking of land reform, the absence or non-enforcement of minimum wage and social security legislation, the outlawing of rural trade unions, the failure to curb exploitative practices of traders (including sometimes landlords)

¹⁴Lipton himself does not seem to disagree with Moore’s (1993) colourful suggestion that he ‘is prone to see the rural rich as crypto-townspeople, and the urban poor as temporarily sojourning countryfolk’ (Lipton, 1993, 253, citing Moore). Kitching (1982, 88) also objects to Lipton’s description of the rural privileged as rural urbanists, and Corbridge (1982, 97) and Ellis (1984) also object to the inclusion of the rural rich into the urban class.

¹⁵He explicitly rejects the Marxist concept of class in which ownership of the means of production is a key element. Hence, and expressed in its simplest way, the division in capitalist society is between those who are the owners of the means of production, i.e. the capitalist, and those who are only the owners of their labour power, i.e. the proletariat. It has to be recognised that this Marxist interpretation of class has its limitations as it does not consider the ethnic and gender dimensions in people’s identity, interest and mobilisation.

¹⁶Byres (2009, 33–54, this collection) reminds us of the importance of class struggle and peasant differentiation in the transition to agrarian capitalism and its subsequent development.

who pay low prices for the peasants' marketed surplus and sell at a high price the inputs purchased by peasants, and lenders (including sometimes landlords) who charge usury interest rates for credit. All these failings of public policy favour landlords and rural capitalists as they keep wages low and force rural labour into patronage and clientelistic relationships which reproduce the domination of landlords over peasants (Kay 1980, Barraclough 2001).

Another limitation in Lipton's class analysis is his unwillingness to explore concepts like class formation, class alliances, class domination and class hegemony. Instead of his odd characterisation of urban class and rural class, more explanatory power for understanding particular biases in public policy can be attained by using the above-mentioned concept. If the urban poor are rural in their main allegiance why could they not develop a common interest with the rural poor, i.e. form a class alliance between urban workers and rural workers? If the rural rich are compensated for the losses they may incur through the 'price twist' isn't this due to the fact that they either control the State or have a major influence over it through their class alliance with the dominant urban bourgeoisie? While there are some divergent interests between landlords and industrialists these are minor compared to the class conflicts between capitalists and workers. Landlords often invested in urban enterprises and urban capitalists acquired landed properties, generally for social prestige and political reasons, thereby facilitating the formation of alliances between them. This increasing interlocking between agrarian and non-agrarian capital has led Zeitlin to use the term 'coalesced bourgeoisie' (Zeitlin and Ratcliff 1988). Through forging alliances and common interests landlords and urban capitalists resolved some of the contradictions between these different fractions of capital so as maintain their dominance over the exploited classes in society.¹⁷

Poverty: causes and persistence

Lipton's UB thesis certainly has the merit of highlighting the problem of rural poverty. However, holding UB accountable for the perpetuation of rural poverty in LDC is over-extending its explanatory reach. In Griffin's (1977, 108) view 'Lipton tries to explain too much, indeed virtually everything, in terms of urban bias. In the end it becomes a brilliant obsession.' It is certainly true that the incidence of poverty is higher in the rural sector than in the urban sector in most LDCs (World Bank 2001). While some aspects of UB might be responsible for this situation, more significant is the highly unequal distribution of land, capital and other assets in the countryside, together with the lower productivity of agriculture compared to industry. Another problematic aspect of the UB thesis is that it underestimates the scale and relative growth of urban poverty (Davis 2006, Rakodi 2008). In recent decades urban poverty has grown at a faster rate than rural poverty in many LDCs and in some Latin American countries the number of urban poor now exceeds the rural poor (CEPAL 2007). Poverty cannot be reduced to a mono-causal factor like UB but is best analysed in terms of the exploitation of labour by capital, the class system and the political economy of capitalism.¹⁸

¹⁷For an illuminating analysis of intersectoral alliances within a Marxian class perspective, see Veltmeyer (2004).

¹⁸For an analysis of the causes and persistence of rural poverty in the Latin American context, see Kay (2006).

One way of testing the UB claims about rural poverty is to think through what would happen if UB was reduced. Byres (1979, 240) is quite categorical in his reply: ‘One can be sure that more investment, less taxation, higher food prices, and all the rest, will help the poor very little.’ This may be an exaggeration but much of the evidence broadly confirms this generalisation. Lipton himself expressed disappointment with the limited impact that the reduction or elimination of the ‘price twist’ against agriculture as a consequence of structural adjustment policies (SAPs) had on the reduction of poverty (Estwood and Lipton 2000). Hence, he now places more importance on the unequal allocation of government resources between rural and urban sectors in perpetuating rural poverty. However, the neoliberal SAPs of the 1980s and early 1990s also severely cut public expenditure, especially social expenditure, with negative consequences for poverty and income distribution.¹⁹

International factors and unequal exchange

Despite its sweeping generalisation about poverty on a world scale, the UB thesis is firmly located at the national level and does not engage with the international system and the political economy of globalisation. Only in more recent writings does Lipton (2005, 725) question whether the persistent urban–rural income gaps might be due to the ‘creeping internationalisation of UB, in the form of policies that glut world agricultural markets and undermine farm prices?’ Bezemer and Headey (2008, 1350) point out the following paradox: ‘[t]he urban bias against LDC agriculture – the international trade bias – is ironically the result of a bias in favor of agriculture in OECD countries.’²⁰ Agriculture is certainly much subsidised in the OECD countries and this has had negative consequences for agriculture in LDCs. Hence the pro-rural policies adopted in the rich countries (whose beneficiaries tend to be large farmers and agribusiness corporations) have anti-rural consequences for the poor countries.²¹

By omitting to analyse the world system and the manifold relations between the North and the South, particularly unequal exchange, Lipton leaves out of the analysis factors that have a major impact on the development policy, trajectory and performance of LDCs, including poverty. Nevertheless, Lipton (1993) argues that where a deterioration of the *domestic* terms of trade against agriculture is the outcome of world market forces rather than public policy it cannot be considered as UB. Hence Lipton would not consider the Prebisch-Singer thesis on the secular deterioration of the *international* terms of trade against the LDCs as constituting UB as it is the outcome of market forces.²² He thus has never been, as far as I know, an

¹⁹Lipton mentioned his alarm at ‘attempts to recruit my work to the flag of Reaganomic characterisations of “the State”, and of price “distortions” for which it was alleged to bear sole and independent responsibility’ (Lipton 1993, 256). Perhaps it is not so surprising that his UB thesis was (mis)used by neoliberals to justify their policy for a minimalist State and for the elimination of price distortions as they defined them (Krueger 1991).

²⁰OECD is the Organisation of Economic Cooperation and Development to which most of the industrial countries belong to; hence it refers to the rich DCs.

²¹This is indeed the diagnosis of Via Campesina, the most important transnational agrarian movement of small farmers, peasants and rural workers (Borras 2004). It views the World Trade Organisation (WTO) as representing the interest of agribusiness and of promoting neoliberal policies which it argues endangers food sovereignty. ‘Via Campesina insists that agriculture and food should simply be taken out of the WTO: or, “Perhaps more appropriately, let’s take the WTO out of agriculture”’ (Desmarais 2007, 108–9).

²²For a discussion of the Prebisch-Singer thesis, see Kay (1989).

advocate for a new international economic order (NIEO) which many LDCs advocated during the 1960s and 1970s with the aim of reducing the inequalities between South and North. Such a NIEO might have given a boost to agriculture in the South as well as stimulating its industry by easing the protectionism of the North against industrial exports from the South. But to what an extent the rural poor would have benefited from such a NIEO is uncertain as this depends on the particular country context.

Urban bias and industrialisation

One of my principal objections to the UB thesis is that it sidelines or even ignores the analysis of the synergies that can be achieved through rural–urban, and more specifically agricultural–industrial, interactions. My critique of the UB thesis does not mean that I do not recognise the need for a more robust, productive and egalitarian agriculture. Nor does it mean that I endorse uncritically the experience of ISI or unquestioningly embrace industrialisation (Kay 1989). While industrialisation is undoubtedly an essential ingredient of development (Ocampo and Parra 2007, 175), it is necessary to examine its viability, sequence, form and links with agriculture. I pointed out many years ago a weakness in Byres’s critique of Lipton in which he takes for granted the need for industrialisation without questioning its viability and, above all, without examining the shortcomings of ISI in LDCs at the time (Kay 1977). For Byres (1974), who sees industrialisation as the main route out of poverty and underdevelopment, the question is how best to transfer an agricultural surplus for the development of industry in LDCs. However, he does not examine how best to stimulate agriculture’s development, thereby running the risk that agricultural growth might stall with negative consequences for industry. Nor is he alert to the possibility that the agricultural surplus might be misused by, for example, propping up an inefficient ISI process as occurred in some Latin American countries, and hence lead to economic stagnation (Kay 1989). Byres does not discuss the type and sequence of the industrialisation process or the extent to which it should be oriented towards exports or the domestic market (Corbridge 1982). The development of a capital-goods industry which generates new technologies, favoured by Byres, certainly has greater dynamic effects than the consumer-goods industry but it also requires more investment which may not always be available or only at a cost detrimental to agriculture.

The problem with the UB thesis is that it fails to appreciate the economies of scale, the capacity of technological innovation and multiplier effects of industry (Jones and Corbridge 2008). UB analysts disregard the dynamism of industrial clusters and cities and the important contributions that industry can make to agriculture through the provision of agricultural machinery, equipment and modern inputs. Hence, in a dynamic understanding of poverty and development the key aspect is neither rural bias nor urban bias but the attainment of a dynamic interaction and synergies between both sectors. I will introduce next some aspects of what could be characterised as a synergetic development strategy.

The synergy perspective on development: agriculture–industry relations

While agriculture has the potential capacity to produce a surplus which can be transferred to support industrialisation, it is necessary to do this in a manner which

does not backfire and harm agricultural development itself. Arguing for 'industry first' omits to see how extraction of a surplus might lead to agricultural stagnation but arguing for 'agriculture first' omits to see how a transfer of an agricultural surplus to industry can contribute to agricultural development. Hence, a judicious development strategy has to find the right relationship between agriculture and industry in the development process. This is a relationship which will vary according to the particular phase of the development process and as structural conditions and international circumstances change. By focusing one-sidedly on either agriculture or industry analysts fail to examine the complex and dynamic interactions between them. Therefore they are unable to grasp the importance of exploring the multiple intersectoral resource flow possibilities and their varying impact on particular trajectories of economic development. Hence the efficiency of resource use within sectors as well as the allocation of resources between sectors has to be discussed when trying to understand the different development performances and potentials (Karshenas 1996/1997).

While the more extreme agrarianists stress that only agriculture matters and do not appreciate or even deny the contribution that industry can make to agricultural development, the more extreme industrialisers make the opposite mistake. But some analysts consider the nature of the inter-sectoral relationship between agriculture and industry as being of prime importance for explaining differences in the development performance between countries (Johnston and Kilby 1975, Bhaduri and Skarstein 1997). Lewis (1958, 433) had earlier highlighted the importance of stressing neither agriculture nor industry but both as he argued that '[i]ndustrialisation is dependent upon agricultural improvements; it is not profitable to produce a growing volume of manufactures unless agricultural production is growing simultaneously. This is also why industrial and agrarian revolutions always go together, and why economies in which agriculture is stagnant do not show industrial development.' It is the analysis of the various dynamic links which can be forged between agriculture and industry and their particular sequence which are the key for uncovering a country's development potential and hence for designing appropriate development strategies for its realisation.

Although the debate on whether agricultural development is a prior requisite for industrialisation or whether both can be concurrent processes is still unresolved, few specialists question that the performance of the agricultural sector has a major bearing on a country's industrialisation. To achieve a successful industrialisation a country will have to resolve the problems associated with the generation, transfer and use of an agricultural surplus. This is particularly important in the initial stages of industrial development. Once an industrial sector is established it can generate the necessary surplus for investment from within the sector itself so that the need to extract an agricultural surplus becomes less urgent. At later stages of economic development the flow is often in the opposite direction, i.e. an industrial surplus helping to finance agriculture.

There are several ways in which an agricultural surplus can be transferred to other economic sectors: voluntarily or compulsorily, in a visible 'on the table' manner or an invisible 'under the table' manner. These different mechanisms for transferring an agricultural surplus are made not only to illustrate the variety of resource transfers which exist but also because some mechanisms are more appropriate or more efficient in achieving certain developmental goals as compared to others. Thus besides analysing the best ways of generating and increasing the

agricultural surplus it is necessary to discuss the most suitable mechanisms for its transfer to the sector with the best growth and distributional potential as identified by the development strategy. Among the questions which policy makers need to consider are how to ensure that sufficient incentives are provided to farmers so that agriculture produces a required surplus, how to ensure that the extraction of the surplus does not lead to agricultural stagnation, and how to ensure that the surplus is not used to finance an inefficient industrialisation process. Linkages have to be developed between agriculture and industry in such a way as to bring about a virtuous cycle of economic growth and to reinforce the complementarities between these sectors.

Hence, the discussion over development strategy should focus on how to achieve and maximise intersectoral synergies as well as on how best to ensure an equitable distribution of the fruits of progress between the rich and the poor whether urban or rural. A related issue is to identify which class or coalition of classes is best able to design and implement such an equitable well-being promoting development strategy. Finally the question arises of how best to promote the necessary State capacity to carry such a national development project forward. I will illustrate the significance of these three issues by comparing the development experience of Latin America with that of the East Asian newly industrialising countries (NICs), specifically South Korea and Taiwan.²³ Such a comparative analysis within a political economy framework can help explain the uneven economic performance of the two regions. The contrast is indeed remarkable. While in the aftermath of the Second World War income per capita in Latin America was several times higher and the incidence of poverty substantially lower than in the East Asian NICs, within three or four decades the situation had been dramatically reversed.

Contrasting East Asia and Latin America²⁴

I will argue in this part that the different development strategies pursued, the different timing and extent of agrarian reform and the different sequence of the industrialisation process followed by the two regions had profound effects on their development performance and ability to drastically reduce poverty.

State capacity and development strategies

To achieve a sustainable process of economic development is not just a matter of transferring resources from agriculture to industry. It requires a development strategy that generates a dynamic interaction between the two sectors. In South Korea and Taiwan, the State played a pivotal role in the process of surplus creation, extraction and transfer from agriculture to industry. It created both the conditions for productivity growth in agriculture as well as securing the transfer of much of this growth to the industrial sector via such mechanisms as taxation and manipulation of the terms of trade in favour of industry. Not only did the State play a crucial role in the process of industrialisation, it also had an absolute grip

²³The World Bank (1993) refers to the East Asian NICs as a 'miracle' while others characterise them as a myth as their achievement is due to 'blood, sweat and tears', i.e. the exploitation of their rural and urban labourers (Krugman 1994).

²⁴This part draws from a previous essay of mine, see Kay (2002).

over the agricultural sector, especially as the landlord class had lost their land and political power in an earlier agrarian reform. Although peasant farming was extended even further after land reform, the State exercised control over the peasantry through a variety of economic, political and institutional mechanisms (Apthorpe 1979). The State changed class relations and established the economic and political conditions favourable to rapid industrialisation. As landlords no longer had political power the South Korean and Taiwanese governments could afford to ignore the demands of agriculturalists. Urban labour did not fare much better under conditions of political unfreedom that effectively repressed any form of industrial protest, although their economic conditions were better than those of the peasantry.

By contrast in Latin America even in the period of ISI, when governments were most favourably inclined towards industrialisation, the State had to make economic concessions to landlords providing them with generous subsidies and other economic benefits. Thus the Latin American State was unable to extract proportionally such a high surplus from agriculture as compared to South Korea and Taiwan. Furthermore, populist regimes in Latin America, while mainly favouring industrialists, were unable to dictate industrial policy as in South Korea and Taiwan. They thus gave in to demands for increasing protectionism required due to industry's rising lack of competitiveness. Also the populist regimes could not ignore the demands of the expanding industrial working class, which gained certain rights as well as access to some of the benefits of the welfare State. The increasing inefficiency of the industrial sector and its declining dynamism meant that the situation became increasingly untenable. The crisis of ISI and the populist State paved the way for neoliberal economic policy in Latin America but by then Latin America had already fallen economically well behind the East Asian 'miracle' countries. But neoliberalism has also failed to deliver in Latin America as the gap with South Korea and Taiwan continues to widen.

What is remarkable about the South Korean and Taiwanese case is that the State managed not only to squeeze agriculture but that it did so while at the same time ensuring agriculture's sustained growth and thus the production of a large economic surplus.²⁵ This allowed industry's spectacular expansion, which in its initial stages was financed through the peasant squeeze. As argued earlier when discussing the UB thesis, relations between agriculture and industry are often viewed as conflicting and oppositional, with a gain in one sector being won at the expense of the other. However, in a dynamic context where synergies are created between the sectors, both can gain as the experience of South Korea and Taiwan testifies. This was generally not the case in Latin America as the squeeze was less effective and often self-defeating. During the ISI period landlords were able to limit the transfer of an agricultural surplus at least as far as their own interests were concerned while ensuring that the main squeeze was born by the peasantry and rural workers which given their poverty left very little to squeeze. Squeezing peasants and capitalist farmers was often counter-productive as the loss of economic incentives resulted in agricultural stagnation. Thus too high a squeeze

²⁵For a succinct and masterful analysis of the capitalist agrarian transition of South Korea and Taiwan within a comparative materialist political economy perspective, see Byres (2003b). For more general reflections on the analytical potentials of the comparative method within a political economy framework and which influenced my own work, see (Byres 1995).

might deny agriculture the resources to create a surplus and thus be counter-productive (Teranishi 1997).

Agriculture–industry synergies

The South Korean and Taiwanese policy makers were aware that to avoid this dilemma it was necessary to ensure sustained increases in efficiency in agriculture as well as in industry. They thus had a dynamic view of the interaction between agriculture and industry in which the institutional set up and technological innovation were central. Governments thus ensured that the conditions were conducive to the adoption of new technologies and stimulated shifts in production patterns to higher value crops over the whole of the farming community (Oshima 1987). As for industrialisation they tried to ensure that any resources transferred to industry were invested in industries that had great potential for growth and for success in export markets. In contrast to Latin America where protectionism was generally exercised across the board, in South Korea and Taiwan it was highly discriminatory.

These Asian governments also encouraged the creation of industries that would allow improvements in agriculture such as the chemical fertiliser, farm machinery and equipment industries. Furthermore, agricultural-supporting industries received a higher allocation of foreign aid funds than other types of industry (Cheng 1990). Much industrialisation in Taiwan was also rural based thereby being more attuned to the needs of the agricultural sector. Once a successful industry is established the need for extracting a surplus from agriculture diminishes and the flow of resources might even revert. This has been the case in post-war Japan and in recent decades also in South Korea and Taiwan as comparative advantages shifted from agriculture to industry (Bautista and Valdés 1993).

By contrast, Latin American policy makers generally failed to create such synergies. They were unable or unwilling to drastically reform the land tenure system and modernise agriculture. They also failed to resist the pressures from industrialists for higher rates of protectionism and lacked a sufficiently vigorous export-oriented industrialisation (EOI) strategy, if any at all (Ranis and Orrock 1985). By failing to break through into the industrial export market Latin America's economic growth continued to be hampered by foreign exchange constraints which limited the import of capital goods and thus raised the country's investment rate (Jenkins 1991). The key obstacle to Latin America's industrialisation was not so much the lack of capital as the lack of foreign exchange. This neglect of agricultural exports together with the failure to shift earlier to an EOI strategy are some of the key reasons why Latin America fell behind the East Asian NICs.

The fact that policy makers in South Korea and Taiwan decided early on to become competitive in international markets had the great advantage that it created an industrial structure that took advantage of their cheap labour supply. This was a major factor in their comparative advantage relative to the industrial countries where labour was expensive and at the time in short supply. The transformations in South Korea's and Taiwan's agriculture enabled surplus labour to be released to the industrial sector thereby keeping wages low, while at the same time ensuring that agricultural production continued to grow so as to provide an adequate supply of food to industrial workers. This satisfactory supply of food meant that food continued to be relatively cheap and thus an upward pressure on industrial wages was avoided. This

in turn allowed industrialists to reap high profits, remain competitive and use these profits to finance industrial investment and thus sustain a high rate of industrial growth. Furthermore, the high rate of labour absorption of South Korea's and Taiwan's industrial sectors meant that at a certain point the labour surplus was reduced or even eliminated and thus wages began to rise. Thus, after some time, growth did trickle down thereby further improving equity (Kuznets 1988).

Agrarian reform

The foundations for a more equitable income distribution were laid by the agrarian reform. Income inequalities in Taiwan, and to a lesser extent in South Korea, are probably among the lowest in the world and this has not only had positive effects on social and political stability but also provided a solid foundation for their industrialisation. This relatively equitable income distribution widened the size of the domestic market for industrial commodities, which is particularly important in the initial stages of an industrialisation process, as well as stimulating rural industry (Saith 1992). According to White (1987, 64, 65) 'perhaps the single most important element in the East Asian success has been the implementation of rather comprehensive agrarian reforms' which also had 'powerful growth-releasing and poverty-reducing effects'.

By contrast, the more limited extent of agrarian reform in Latin America, coupled with the fact that it was implemented several decades after industrialisation had started, denied the region this potential widening of the internal market and also created a distorted and inefficient industrial structure which produced commodities largely catering for high-income groups and required capital-intensive and foreign-exchange intensive technologies. This meant that a large proportion of the surplus rural population, which migrated to the urban centres, was unable to find industrial employment. In South Korea and Taiwan by contrast the industrial structures were geared to the production of mass consumer goods, where greater possibilities for using labour-intensive technologies exist.

Increases in agricultural productivity in South Korea and Taiwan were achieved with only limited capital requirements, such as the greater use of fertilisers and improved seeds. Changes in agricultural productivity in Latin America, by contrast, were more demanding of scarce capital resources and often also required more foreign exchange. Governments favoured the large-scale commercial farm sector, which invested in technological innovations of a mechanical kind and required the importation of tractors, combine harvesters and other machinery. By contrast in South Korea and Taiwan technological change in agriculture was widely diffused among peasant farmers as a consequence of the redistributionist agrarian reform and the active promotion of improved technologies by the State. Rural expenditure was disbursed in a far more egalitarian manner and the State made far more substantial investments in rural infrastructure, such as irrigation and roads, compared to Latin America (Aoki *et al.* 1997).

Sequence of industrialisation

Latin America fell behind the East Asian NICs not only because it neglected agriculture but also because it failed to shift in time from an ISI to an EOI development strategy. After the exhaustion of the easy or primary phase of ISI

based on the consumer-goods industry during the 1960s, some Latin American countries managed to raise their savings rate due to the higher capital accumulation requirements for financing the investment in the intermediate-goods and above all in the capital-goods industrial sector. A similar process happened in South Korea and Taiwan with the difference that both countries were able to continue with, as well as deepen, this shift to a more capital-intensive, labour-skill-intensive, foreign-exchange-intensive and large-scale industrialisation process while Latin America was unable to do so due to foreign exchange and market constraints.

By already moving into exports during the consumer-goods industrial stage the East Asian countries were able to earn the additional foreign exchange necessary to finance the import of the intermediate-goods and capital-goods required for the next stage in the industrialisation process. They also gained valuable experience in international markets and by being exposed to a greater extent than the Latin American economies to world competition had a powerful incentive to become more efficient and hence competitive. This early shift to an EOI strategy meant they were able to access a much wider market thereby being able to reap the benefits of economies of scale which are particularly important in the manufacturing of products such as cars, ships, steel, chemicals, and electronics, most of which South Korea and Taiwan started to produce. The comprehensive and inclusionary educational system of South Korea and Taiwan also ensured the necessary supply of skilled labour required for some of these industries whose wages were still relatively low compared to the developed countries as well as to Latin America.

In summary, three key factors explain the difference in performance between the Asian NICs and Latin America. The first is South Korea's and Taiwan's superior State capacity and policy performance. The second is Latin America's failure to create an agrarian structure more conducive to growth with equity. The third is South Korea's and Taiwan's greater ability to design an appropriate industrial policy as well as developing the synergies between agriculture and industry. While Latin America got off to an early start with industrialisation it was unable to overcome quickly enough the limitations of ISI and shift to a more export-oriented and competitive industrial structure. All of the three factors that I have identified are closely interconnected. South Korea and Taiwan managed to develop the positive linkages between them while in Latin America these factors were often in conflict (Saad-Filho 2005). While the East Asian NICs succeeded in creating a virtuous and mutually-reinforcing, upwardly-moving spiral between these factors, resulting in high living standards for the majority, the Latin American countries failed to do so, thereby perpetuating poverty.

Contrary to the neoliberal interpretations of the East Asian 'miracle', I am arguing that South Korea's and Taiwan's superior performance was not due to 'getting prices right', avoiding protectionism, promoting an unrestricted free market and a minimalist State. Quite the contrary, their success is due to a strong interventionist and developmentalist State, flexible protectionism, 'getting prices wrong' and governing the market (Amsden 1989, Wade 1990, Chang 2002).²⁶

²⁶By 'getting relative prices "wrong"' the State deliberately manipulated prices in favour of a particular sector or group so as to achieve certain goals of its development strategy, which evolved and thus relative prices could be 'distorted' in favour of another sector or group (Amsden 1994).

Crossing frontiers, fording the divide, creating linkages

The lesson I want to convey from this comparative analysis is that the form of dualistic thinking as expressed in the UB thesis is an increasingly unhelpful way of thinking about development. I have already discussed the usefulness of thinking in terms of synergies between agriculture and industry and between the rural and urban sectors. In this section I will discuss how transformations in rural livelihoods over the last two or three decades have strengthened the explanatory power of analytical frameworks which explore linkages, interactions and synergies and further eroded the UB thesis.

As argued earlier, the UB thesis rested crucially on the existence of distinct and major differences and inequalities between the rural and urban sectors.²⁷ For Lipton, the rural–urban divide is profound and persistent in LDCs and its blurring is rare and exceptional (Moore 1984). Yet recent transformations within rural and urban sectors and their growing interaction have made analyses which rely on a strict separation of these spaces problematic. Rural–urban borders have become more permeable making it plausible to speak of the ruralisation or rurification of the urban and the urbanisation of the rural in LDCs.²⁸ It is becoming more common, especially in times of food crisis, for agricultural activities to take place in urban areas and the term ‘urban agriculture’ is used to indicate this. Peri-urban areas and intermediate cities are springing up which act as transmission belts between the larger cities and the rural hinterlands (Lynch 2005, 2008). In sum, rural and urban spaces are being reconfigured.

In the era of neoliberal globalisation an escalating interaction and fluidity between the rural and urban sectors in terms of capital, commodities and labour can be observed (Hart and Sitas 2004). The increasing dependence on inputs purchased from industry, the continuing industrialisation of agriculture through agro-processing plants, the spread of rural industries, the expanding integration of agricultural producers into global commodity chains, the growing intrusion of agro-food corporations and supermarkets into the countryside are tying the urban and rural sectors more closely together than ever (Goodman and Watts 1994, Reardon and Berdegúé 2002, Friedmann 2005). Hence it becomes more difficult to draw a line between where one ends and the other begins.

Furthermore, rural households have increasingly constructed their livelihoods across different sites, crossing the rural–urban divide and engaging in agricultural and non-agricultural activities (Bernstein 2009). Straddling the rural–urban divide is a survival strategy for the poorer peasantry (‘distress migration’) or part of an accumulation strategy for the richer peasantry. Rural household incomes are increasingly made up from rural non-farm activities arising from outside agriculture (wage or salary employment such as working in agroprocessing plants and construction; self-employment such as marketing, rural tourism and other business activities; urban-to-rural and international remittances and pension payments to

²⁷In the case of DCs it could be argued that structural transformations resulting from the development process, as well as State policies seeking to spread the benefits of development more widely and evenly, have reduced rural–urban inequalities in the DC. Lipton (1993, 240) accepts that rural rather than urban bias now predominates in DCs.

²⁸To indicate this ruralisation of urban areas in LDCs Bryan Roberts (1995) uses the term ‘cities of peasants’. Lipton in some ways alludes to this point by saying that the urban poor can have rural allegiance.

retirees or other urban-to-rural transfers) and off-farm activities which generally arise from wage employment on other farms (Ellis 2000).²⁹ Hence an increasing source of employment and income for rural people is derived from non-agricultural and urban sources. Multi-locational and multi-spatial households that cut across the rural–urban divide by combining farm and non-farm activities and rural and urban residence are increasingly frequent. This diversification of rural livelihoods has been characterised as a process of ‘deagrarianisation’ (Bryceson 2000) or as signifying the emergence of a ‘new rurality’ (Kay 2008). Moreover, urban residents, largely living in shanty-towns on the edges of cities, often engage in seasonal rural work, especially during the harvest period, through labour contractors who act as intermediaries.

In addition, rural labour and urban labour straddle the rural–urban divide through migration, often of a circular kind (Standing 1981). Roberts and Long (1979) already three decades ago employed the concept of ‘confederation of households’ to highlight the interaction between rural and urban livelihoods through kinship ties largely of indigenous people. Members of peasant communities migrate to urban areas establishing a foothold there and they act as a transmission belt for subsequent migrants from that community. The exchange of goods and services, which flows in both directions, cements the ties of solidarity and cooperation between family and community members.

Rural persons are not only constructing livelihoods across the urban–rural divide within the national territory but also across national boundaries, migrating to richer countries within the region: North America, Europe and the oil-rich states.³⁰ Remittances have become an important source of income for rural households and some are increasingly dependent on transnational links for their livelihoods, largely through international migration of members of the household. In some countries, remittances form one of the main sources of foreign exchange, surpassing the value of agricultural exports (Akram-Lodhi and Kay 2009a). This important international dimension is missing in the UB analysis.³¹

The growing rural–urban flows erode the rigid distinction between urban and rural development. Populations and activities once described either as rural or urban are now more closely intertwined both across space and across sectors than is usually thought and distinctions are often arbitrary. These new and intensified forms of urban–rural entanglement lead some analysts to think beyond the urban–rural divide (Tacoli 2003, 2006). Some authors are developing a promising territorial approach to facilitate an analysis of the linkages between the rural and the urban and for

²⁹For a pioneering work on the rural non-farm economy and which provides a rich analytical framework for its study, see Saith (1992).

³⁰This issue of migration, especially international migration which has become of increasing global significance, needs to be explored further. Issues such as the characteristics of the migrants (age, gender, ethnicity, previous income and employment conditions), their conditions of employment in the receiving country (income, stability, discrimination, access to social welfare, etc.), the impact of remittances on the household and sending country, the role of public policy of the sending and receiving country are all worthy of investigation. In addition, the impact of remittances on poverty, inequality and social differentiation, and whether they are used for capitalising peasant farmers and other small scale enterprises are all relevant questions.

³¹In reply to some critics Lipton (1984, 147–8) mentions that urban–rural remittances are an insignificant proportion of rural incomes in most LDCs. While this may have been the case at the time of writing, this is no longer so today given the increasing links between rural and urban areas. It is also surprising that Lipton makes no reference to international remittances.

designing development programmes which take advantage of these interactions and enhance potential synergies (Schejtman and Berdegúé 2004, Losch 2004, Tapella and Rodríguez 2008, Fernandes 2008, Ruis and Delgado 2008).

Regardless of my criticisms of the UB thesis and what I consider to be its increasing irrelevance, there are those who argue the opposite. Bezemer and Headey (2008, 1343) declare that Lipton's 'strong conclusion is still valid today: urban biases are the largest institutional impediment to growth and poverty reduction in the world's poorest countries. Yet thirty years on from Lipton's original conclusion, the importance of urban bias is still insufficiently recognised in development theory and practice today.' Despite Bezemer's and Headey's lament, the UB thesis is gaining new life and influence in the contemporary context as will be discussed next.³²

The challenge of rural poverty and the World Bank

A key and persistent challenge for rural development is the eradication of rural poverty. Given the powerful influence of the World Bank in shaping development ideas and influencing development policies in LDCs it is pertinent to examine the *World Development Report 2008: Agriculture for Development*, shortened to WDR 2008 in what follows. It is a timely publication even though it refers only marginally to the global food crisis.³³ This is the first time since 1982 that the yearly World Development Report focuses on agriculture and, despite my critical remarks, is a most welcome study. It was long overdue and has the merit of focusing discussion on a much neglected sector in research and policy and on highlighting the plight of the rural poor. The report presents a wealth of statistical material and covers a wide range of issues. Nevertheless, it has major shortcomings largely deriving from its neo-institutionalist analytical framework. Some critics point to its many contradictions, its failure of imagination, its ideological and rhetorical content and its remarkable continuity with previous World Bank development reports.³⁴ As stated by Akram-Lodhi (2008, 889): 'Despite its aspirations, the WDR 2008 is not a paradigm-shifting reimagining of the policy and practice of rural development.'

By selecting this theme the World Bank acknowledges that the neoliberal policies of the last decades have failed to give a new impetus to agriculture and above all to reduce rural poverty. Its key message that 'agriculture continues to be a fundamental instrument for sustainable development and poverty reduction' in the twenty-first century (World Bank 2007, 1) is something of an overstatement as only one of the three proposed pathways out of rural poverty is based on farming, while the other two rely on rural nonagricultural activities and on outmigration. It notes, following the rural livelihoods approach (Scoones 2009, this collection), that rural smallholders

³²Bezemer and Headey (2008) make no reference to WDR 2008 as their final revised paper was accepted for publication on 17 July 2007 just before the report was published.

³³The report does note, however, that 'global models predict the possibility of rising food prices' (World Bank 2007, 69). It has to be acknowledged that the food crisis largely manifested itself after the report went to press. Commodity prices rose sharply between 2007 and mid 2008, thereafter falling again as the financial and economic crisis unfolded. For the background to the global food crisis, see Weis (2007) and Patel (2007a). For useful analyses of the world food crisis, see Bello (2008), Magdoff (2008), von Braun (2008) and Wiggins and Levy (2008), among others.

³⁴There have been a great many reviews of the WDR 2008, see Patel (2007b), Havnevik *et al.* (2007), Oxfam International (2007), Veltmeyer (2008), Akram-Lodhi (2008) and Riszo (2009), among others.

increasingly combine these three activities in their livelihood strategies.³⁵ But to what an extent can these often mutually reinforcing multiple pathways become, in the report's view, routes out of poverty?

In my view, the policy proposals presented by the report are unlikely to benefit the majority of the rural poor, especially the poorest of the poor. The report's pathways out of poverty have already been followed by the rural poor. Rather than lifting them out of poverty, they have only staved off a further deterioration of their livelihoods. As seen, an increasingly common livelihood strategy of the rural poor has been to migrate to rich countries to engage in a variety of mainly wage labour activities. The remittances have become an important source of survival for the members of the rural household in the country of origin. Much of this international outmigration is illegal, risky and disruptive of family and local community life. Yet governments in LDCs have done little to stem this drain of human resources by providing better employment opportunities for the rural poor in the home country or by negotiating for better conditions for migrants in the receiving countries. The report has little, if anything, to say on these important matters for the migrants' well-being.

In the shadow of the UB thesis

Although unacknowledged, the WDR 2008 is imbued with many aspects of Lipton's UB thesis, revealing its lingering seduction. The report refers in a Liptonian manner to 'macroeconomic, price, and trade policies [that] unduly discriminate against agriculture', to the 'urban bias in the allocation of public investment' (World Bank 2007, 38), to the 'reduced but continuing policy biases against agriculture', to the 'underinvestment and poor investment of public resources in agriculture' (World Bank 2007, 226), and to situations where 'smallholder interests tend to be poorly represented, and policy is biased toward urban interests and those of the landed elite' (World Bank 2007, 43). While the report shares many aspects of Lipton's UB thesis, particularly his attack on the surplus extraction from agriculture, it differs across three major issues which are relevant for my analysis.

First, the report is not neopopulist, or only partly so, as it is not beholden to the inverse relationship between farm size and farm productivity.³⁶ This is a major departure for the World Bank as in the past its analyses and policies have assumed the existence of such an inverse relationship. This shift in thinking arises largely from new developments in technology, processing and marketing. 'As agriculture becomes more technology driven and access to consumers is mediated by agroprocessors and supermarkets, economies of scale will pose major challenges for the future

³⁵The rural livelihoods approach was largely developed by scholars in the UK during the 1990s. It stresses the agency of actors such as the ability of peasants and rural workers to construct their own livelihood strategies by drawing on a variety of resources at their disposal, including 'social capital' (Chambers and Conway 1992, Bebbington 1999, Ellis 2000). While structural constraints are acknowledged they are not always taken into account in the analysis. This approach has been used for the analysis of rural poverty and policy proposals for its reduction by international and governmental development agencies as well as by NGOs.

³⁶The WDR 2008 cannot fully shake off the influence of neopopulist perspectives as it states smallholder family farming has historically been superior to any other form of farm organisation (World Bank 2007, 91).

competitiveness of smallholders' (World Bank 2007, 92). It thus accepts that small farms may be increasingly unable to compete with larger and more capitalised farms. Instead of blaming UB for the crisis of peasant farming and for the process of depeasantisation, it acknowledges that this may be due to the superior efficiency of larger farms. The report makes a distinction between subsistence-oriented farmers and market-oriented small farmers. While the former may have increasingly to rely on wage labour for their subsistence and eventually leave farming altogether, the report does argue that a number of public policy measures (which it sets out) can be taken to enhance the competitiveness of the market-oriented smallholders under the new circumstances.³⁷ In a somewhat contradictory fashion the report still holds out some hope for subsistence farmers so long as they are able to become market-oriented farmers by seizing the new opportunities created by the global food system and policy biases against smallholders are reversed. In Latin America such policies were pursued by some governments under the slogan of 'reconversion' which aimed to find a farming pathway out of poverty by shifting from traditional subsistence production patterns to non-traditional crops geared mainly to the profitable export market. Few of these policies ever succeeded (Kay 2006).

Second, the report acknowledges the heterogeneity of the peasantry and the growing importance of rural nonagricultural and off-farm activities as well as migration and remittances for their livelihood strategies.³⁸ It thus addresses rural–urban linkages, but only a few of them, and the migration issue. Smallholders increasingly move beyond the farm by diversifying their employment and income opportunities. Whether smallholders diversify their activities as a way out of distress or to grasp new opportunities is the pertinent question. Several studies have indicated that the increasing engagement of the peasantry in diverse activities is due to the crisis of peasant farming which is unable to compete with corporate agriculture in the era of neoliberal globalisation (Akram-Lodhi and Kay 2009b). An increasing number of peasants are no longer able to make a living from farming, forcing household members to seek wage employment often under very precarious and exploitative conditions. While the report is aware of some of these tendencies it nevertheless argues that public policies and institutional reforms enabling markets to get prices right and removing imperfections in credit, insurance and land markets, should make it possible for peasant farming to move out of poverty and in some instances even to flourish. The WDR 2008 is keen to promote rural non-farm activities but as Saith (1992, 114) has already concluded some time ago 'the rural non-farm sector must not be viewed as a panacea for the fundamental problems of rural development and poverty alleviation. The problem of development is a

³⁷This distinction between subsistence farmers and market-oriented peasant farmers echoes a distinction made by neoliberal economists in Latin America in the 1980s between viable and unviable peasant farmers. They argued that government resources should only be directed to the viable peasant farmers as the best option for unviable peasant farmers was to sell their land and abandon farming. Later the more politically correct distinction between peasant farmers without and with productive potential was adopted (Kay 1997). In the 1970s there was a lively debate in Latin America, and especially Mexico between Marxists and neopopulists influenced by Chayanov over the future of the peasantry: for some this seems to be depeasantisation and proletarianisation and hence demise of the peasantry, for the others capitalisation and accumulation and hence survival of the peasantry (Kay 2000).

³⁸The WDR 2008 presents a typology of family farmers but this heterogeneity in livelihood strategies is not analysed within a social class differentiation process.

problem of the whole: it cannot be solved by tinkering with a single little part. The tail cannot wag the dog.'

Third, the report does address some of the international dimensions which have an impact on rural development and poverty in LDCs. The report recognises the negative consequences of agricultural protection and subsidies in DCs for the agricultural sector of LDCs. However, it puts too much faith in the potential positive impacts derived from trade liberalisation, especially concerning the rural poor. It is likely that most benefits would be captured by capitalist farmers and not trickle-down to the rural poor (McMichael 2009a, 2009b).

Limitations of the agriculture-for-development policy agenda

The report proposes a series of policy measures which aim to improve the functioning of markets at local, national and global level. It also addresses some institutional and governance issues geared towards enabling markets and bringing about 'level playing fields'. Owing to the institutionalist framework adopted issues of class, class conflict and class domination of the State are beyond its scope. Given the highly unequal distribution of assets and political power in LDCs it is most unlikely that a so-called 'level playing field' can ever be attained. Even if such a situation could be reached the rural poor lack the means to avail themselves fully of the new opportunities unless a developmentalist State brings about the required structural transformations (Chang 2003). The various policy measures proposed by the WDR 2008 do not add up to such a transformative development strategy which I have argued is required for the eradication of poverty. This can be illustrated in two of their main policy proposals.

First, regarding land policies the report continues to advocate the decades' old neoliberal World Bank policy of enhancing tenure security, land titling and securing property rights. Yet this policy has not stemmed the continuing encroachment by the powerful on lands previously controlled by peasants and indigenous peoples. As for increasing access to land for the rural poor, the report proposes enabling land rental markets, strengthening land sales markets, and market-led land reform through the voluntary willing-seller and willing-buyer mechanism (Borras 2003). All these measures have as yet had only a limited impact on land redistribution and if not accompanied by other State supportive measures, such as the provision of credit and technical assistance, make it difficult for the beneficiaries to succeed (Akram-Lodhi *et al.* 2007, Borras *et al.* 2008a).

Second, the report proposes a series of measures for transforming smallholding peasants into budding commercially-oriented entrepreneurs able to compete in global markets by linking them more effectively into the agroindustrial commodity chains in which supermarkets are gaining increasing influence. The expectation or assumption is that this would transform the efficiency and profitability of family farms by shifting production to new agricultural commodities using new technologies and improved inputs. Thus, the report takes a benign view of agribusiness and supermarkets which control the transnational commodity chains. As cogently put by Akram-Lodhi (2008, 1160): 'It offers a vision, in short, that will consolidate the corporate food regime and the establishment of agrarian capitalism across the worlds of global agriculture.' A similar assessment is reached by Amanor (2009, 261) who writes in relation to the governance framework promoted by the WDR 2008 that it is 'a hegemonic discourse in favour of neoliberal policy

prescriptions, which serves to further integrate farm producers into the oligopolistic governance structures of international agribusiness.’ This is a worrying development as the increasingly powerful global reach of corporate private governance limits public governance in LDCs which is more amenable to the concerns and influence of its citizens. The increasing reach and dominance of the global corporate food regime may benefit a minority of peasant farmers but will ultimately further the process of peasant differentiation leading to the partial or full proletarianisation of the majority.³⁹ To what extent transnational peasants and rural labour movements can effectively challenge the corporate global food regime and create an alternative which is more inclusionary and egalitarian remains an open question (Borras *et al.* 2008b, McMichael 2008).

As discussed earlier in this essay, agriculture by itself is unable to lift the rural poor out of poverty and hence a broader vision of rural development is required which goes beyond agriculture and beyond the rural sector. The WDR 2008 and the rural livelihoods approach partially acknowledge this reality. However, neither the rural livelihoods approach nor the report propose development strategies which focus on the synergies that can be created between industry and agriculture and which, according to the historical experiences analysed earlier in this essay, have been shown to be more comprehensive and sustainable paths out of poverty. Although some rural–urban linkages are explored, these are largely confined to labour markets and migration. There is also a brief mention that urban-based industries, especially in densely populated countries, can stimulate the rural nonfarm sector (World Bank 2007, 238). But the crucial importance of the attainment of synergies in industry–agriculture relations and the key significance of the developmental State in creating a development process which is able to achieve high rates of growth, equity and then eradicate poverty, as discussed earlier in this paper, remain unexplored.

The ‘agriculture-for-development’ agenda of the WDR 2008 can be seen as an updated version of the ‘agriculture first’ position upheld by those development economists who prioritise agriculture. The central question remains what agriculture can do for development. The question of what industry can do for agriculture is largely forgotten. The report deploys historical experiences, among other arguments, to justify this position. It argues that ‘agricultural growth was the precursor to the industrial revolutions’ in England and Japan and that ‘more recently, rapid agricultural growth in China, India, and Vietnam was the precursor to the rise of industry’ (World Bank 2007, 7). Furthermore, ‘[h]igher agricultural productivity generating an agricultural surplus, taxed to finance industrial development, and enabling lower food prices underpinned early development in Western Europe, the United States and Japan, and later in Taiwan, China, and the Republic of Korea’ (World Bank 2007, 35).

Two comments need to be made about the report’s historical interpretation. First, regarding England, as discussed earlier debate among economic historians has shifted from an agriculture first position to a position in which agriculture and industry stimulated concurrently each others’ growth and transformation (Hudson 1992). This revisionist interpretation is gaining ground and being extended to other historical experiences. Second, the report fails to mention the key role played by the developmentalist State in these transformations, especially in the cases of Japan, Taiwan, China, South Korea and Vietnam. Far from creating ‘level playing fields’

³⁹For an analysis of the processes of peasant differentiation in Africa, Asia and Latin America, see Bryceson *et al.* (2000) and Akram-Lodhi and Kay (2009b).

and 'getting prices right' governments in these countries manipulated the terms of trade between agriculture and industry as well as interfering in other ways with the free operation of the market. As discussed earlier in relation to South Korea and Taiwan the State played a key role in the industrialisation process and in ensuring that industry supports the technological transformation of agriculture. In summary, these countries did not exactly follow the report's 'agriculture-for-development' strategy based on enabling free markets.

I do agree with the report that agriculture can and needs to become a dynamic sector for achieving development and poverty reduction. I also agree that a premature and unduly high extraction of an agricultural surplus can lead to agriculture's stagnation (World Bank 2007, 35). However, to achieve such a dynamic agriculture it is necessary to develop industry and its linkages with agriculture in a manner already discussed, but the WDR 2008 does not investigate this issue (Woodhouse 2009).

In summary, while the WDR 2008 contains a cornucopia of most useful information, by failing to embed their analysis in the structural processes and dynamics of the world capitalist system it does not uncover the essential causes of poverty and is unable to propose a development strategy which may be successful in eradicating rural poverty.⁴⁰

Conclusions

My emphasis throughout this essay has been on the importance of designing and implementing a development strategy that exploits the dynamic synergies between agriculture and industry. Over the longer term thriving industrial and service sectors are required so as to sustain the dynamism of the whole economy and achieve the eradication of rural and urban poverty. Agriculture has inherent limitations as an engine for growth over the longer term while industry has a greater potential to generate technological innovations, capture dynamic economies of scale and generate external economies which can further support agricultural development and sustain the continuing development of the country.

This comparative political economy analysis has revealed how it is possible for development strategies to achieve synergies between agriculture and industry. Proposals for prioritising agriculture over industry or vice-versa will not be able to achieve the productivity and growth enhancing outcomes that are desirable and possible through a more comprehensive understanding of the relations between agriculture and industry in the development process. I am aware that I have not explicitly explored the role of the service sector which has now often become the largest sector in the economy. Services play an increasingly vital part in the generation of innovations, in facilitating the adoption of new technologies and management practices as well as in the diffusion of knowledge and information which will raise productivity in agriculture and industry. Services can also provide a bridge between agriculture and industry thereby facilitating the development of synergies between them. I hope that future research will analyse the role of services in the development of these synergies.

⁴⁰It is perhaps not surprising that the WDR 2008 does not make reference to the large body of work on unorthodox and critical writings on the issues it discusses (Veltmeyer 2008). For a survey of several approaches to the study of rural poverty and its eradication, see Kay (2006).

I have endeavoured through a discussion of a particular debate and development experience in the Soviet Union, a comparative analysis of the development experience of some East Asian NICs with Latin America, and a review of the UB thesis and the WDR 2008, to show the limitations of agrarianist and industrialist approaches to development. Such perspectives fail to explore the synergies between agriculture and industry. To achieve and sustain synergies through a development strategy, the State can use the various policy instruments at its disposal to favour one group of producers over another within a sector as well as to favour one sector over another. This will depend on which group and what sector can generate the most productivity enhancing synergies for the whole economy with the aim of reducing poverty and inequality. But such priorities will shift according to the results achieved and changing market conditions as well as social and political circumstances. The neoliberal approach does not overcome the limitations of an agrarianist or industrialist perspective as the free market by itself will generally not generate or maximise the synergies between the sectors. Hence the importance of enabling the State to design and implement such synergetic development strategies which run counter to the free market proposal of the neoliberals.

I have also attempted to show that there are great gains to be achieved for development studies and rural development by analyses that explore the linkages that can be developed between agriculture and industry. Such analyses have to be context specific as each country has differing economic, social and political characteristics as well as differing State capacities for designing and implementing the growth and equity enhancing development strategies in a dynamic setting and within the limitations and opportunities offered by the constantly changing international environment.⁴¹ Furthermore, such a 'synergy' development strategy also offers a useful framework for analysing the current concerns mentioned at the start of this article, such as biotechnology, food sovereignty and climate change, and developing proposals for tackling them.

Finally, I wish to conclude by endorsing the following reflection by Ben White on the importance of the comparative approach as a research, learning and teaching methodology and strategy.

The *comparative approach*, requiring detailed analysis of the contrasting experiences of rural development in actual societies, with recognition of the particular historical, social and political contexts at national and local level in which agrarian changes take place, in which strategies and policies have been formed and introduced and have succeeded or failed. In this way we may hope to confront and come to terms with the diversity that exists in the real world – whatever uniform tendencies some abstract theories might suggest – and to learn from it, to see the ways in which general 'tendencies' interact with specific conditions to produce particular outcomes, and to understand in this way that 'success stories' may offer valuable lessons, but not directly transferable models for other societies to follow or for external agencies to impose. (White 1987, 69–70, emphasis in original)

⁴¹In view of the current world financial and economic crisis which may herald the end of the neoliberal globalisation era, this might be the time to write the history of the rural transformations and struggles of the rural people during this era. This history needs to be written following the example of such classic works as Barrington Moore Jr.'s *Social Origins of Dictatorship and Democracy: Lords and Peasants in the Making of the Modern World* (1969), Eric R. Wolf's *Peasant Wars of the Twentieth Century* (1969) and Terence J. Byres' *Capitalism from Above and Capitalism from Below* (1996), among others. In these exceptional works the authors have studied previous periods of epochal transformations in the rural economy, society and polity within a comparative, political economy and interdisciplinary perspective.

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