The Political Economy of Chronic Poverty[1]

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"when the elephants fight the grass gets trampled"

Abstract

This paper critically analyses the relationship between political economy and the incidence of poverty. It argues that far from globalisation providing widespread opportunities for the poor in the short to medium term, the level of global poverty is likely to increase in absolute terms, both in terms of incidence and depth. This is because many of the poorest countries are involved in a historic transition from rural smallholder agriculture to urban industrial machino-facture, and are currently undergoing a rapid process of proletarianisation. [1] *However, some of these transitions, particularly in sub-Saharan Africa, are stalled or reversing due to differential incorporation in globalisation processes.*

It is not only unlikely that the international targets for poverty reduction will be met, but probable that the period to 2015 will see an increase in absolute poverty. However, this is not because of the widespread 'exclusion' of the poor from integration into the global economy, but rather as a result of their integration on adverse terms, whereby 'exclusion' is better understood as adverse, differential incorporation. This adverse incorporation occurs at two levels: at the micro level within the labour regime in terms of available formal work, working conditions and remuneration; and at the macro-economy level where premiums for investment funds are disproportionately higher for the poorest countries.

The outcome of globalisation processes is illustrated in this paper by an examination of the commercialisation of agriculture and its differential impacts on relative and absolute poverty. The case study illustrates how agricultural modernisation creates a group of newly destitute people as a corollary of increased wealth stratification. The commercialisation of agriculture often increases levels of transitory, relative poverty and raises the likelihood that some segments of society will be pushed into chronic poverty.

The paper then problematises possible policy action, theoretical and actually existing, within the context of harnessing 'political economy' measures on behalf of poverty reduction, by means of redistributive political action. While it remains difficult to trace the global economy causation of poverty dynamics at the micro-level, it is possible to extrapolate broad poverty outcomes from the social trends associated with globalisation. The paper argues that processes of accumulation cause immiseration for some, increased inequality, and geographical abjection, which are currently insufficiently ameliorated by policy action. The contemporary policy orthodoxy of economic liberalisation, social safety nets and empowerment fails to recognise the radical policies, of redistribution and global regulation, that are needed to tackle the processes within capitalism that create and sustain poverty. The paper proposes that further research be undertaken to review the success or otherwise of government policy to asset the poor by means of redistribution of economic rights and rents.

1.0 Introduction

Chronic poverty has been defined as "occurring when an individual experiences significant capability deprivations for a period of five years or more" (Hulme and Shepherd, 2003: 6). The distinguishing feature here is extended duration, people who remain in poverty for much of their life course, with the five years duration being a 'somewhat arbitrary' time lapse (ibid). Chronic poverty is generally passed on to subsequent generations. Capability deprivations are here seen as multi-dimensional, going beyond the usual income and consumption measures, to include tangible and intangible assets, nutritional status and indices of human deprivations (see Hulme and Shepherd, 2003: 1-17).

The central purpose of this paper is to review what is known about how economies work in relation to the poor, and how governments might behave to enhance poverty reducing public economic policy. While (international) political economy is a blunt research tool in terms of either defining who are the chronically poor on a micro or individual level; or in generating nationally based social policy instruments to alleviate poverty, it does have a number of benefits useful to our agenda. It can analyse historical processes that effect market 'terms and conditions'. Given these bodies of knowledge it can then help us to predict which sections of the population are likely to benefit from economic trajectories, and which are liable to face further prolonged destitution, or to be made newly destitute in the coming years. There are similarities between this emphasis on prediction, and the 'prospective approach' outlined by Murray (2001, 4) within livelihoods research, which has its roots in influencing future policy and action in policy circles, and also seeks to harness historical experience and trajectory in order to do so.

The next section (1.1) will review the current state of research concerning the relationship between chronic poverty and political process. The purpose here is to establish how political economy can fit into the more general debate concerning political process per se. The contention here is that it is tackling the differential and adverse incorporation of the poor within economic processes that provides the best long-term solution to reducing poverty. In section 2 we then look more closely at processes of political economy incorporation experienced by the poor and chronically poor using the concept of adverse and differential incorporation. We look at the social effects of adverse incorporation (2.1); differential incorporation and the 'new destitutes' (2.2), and then return to the role of political economy as a predictive research and policy instrument (2.3).

In section 3 the paper examines what it is about current globalising economic processes that are adversely incorporating the poor. In section 4 these concerns are analysed through the example of agricultural modernisation, and subsequent incorporation in global agro-industrial markets. I have chosen to cover this particular historical social process because it is the route along which many of the chronically poor are currently embarked. Section 5 provides an examination of potential and actual policy instruments which could be used to change property regimes, which emerge in political economy processes, in order to effect poverty reduction. The final section 6 returns to the issue of pro-poor global regulation.

1.1 A review of research on the politics of poverty

Three observations can be made about the current state of research concerning the relationship between chronic poverty and politics. First, that it suffers from *'neo-classical bias'* in its individuation and corresponding subsequent assumptions of equality of access between 1) citizens and the state; and 2) workers and consumers within markets. Second, that the poor are seen as *passive* consumers of policy and donor solutions while their prior exclusion from 'normal' production and markets remains unproblematised. Third, that there is a *disarticulation* between formal institutional power structures and the relationships of power in many countries, and particularly in Africa. This latter I see as being particularly deleterious of successful poverty policy and implementation since private power-holders can frustrate poverty reduction agendas. Additionally, it is precisely this disarticulation that frustrates the expectations of normative political scientists attempting to pursue the good governance and democratisation agendas, which are generally understood as 'pro-poor', but in actuality have varying effects on poverty in practice (see Potter, 2000: 374-379). This paper will discuss the first two of these observations, leaving the latter for future review (Bracking 2003b).

Returning to the first observation, the neo-classical bias of generic political research can also be observed in political economy. It is, for example, widely assumed that within globalisation processes, and within national political economies, the most competitive states and individuals respectively can access and participate in markets. That is, that equality of access to markets occurs, regulated by a meritocracy of entrepreneurial and motivational attributes. This is akin to the 'neo-classical bias' referred to above. In practice, however, the poor, and the chronically poor among them, are often characterised by their relative exclusion from transnational economic processes, whatever the rational or potential 'competitiveness' they possess. For example, despite extreme processes of devaluation which render exports highly competitive, and the cheapest labour globally, more than 300 million people live in extreme poverty in sub-Saharan Africa, most in rural areas, while Africa's share of global exports is about half of Belgium's (Guardian, 2002).

As we have seen from earlier CPRC working papers, there are often physical, material and resource reasons why patterns of differential exclusion exist (see in particular, Hulme *et al* 2001; Amis 2002; Bird *et al* 2002). However, there are also political reasons that militate against the economic participation of the poor, which are the subject of this paper. Political economy is fundamentally about power (Palan, 2000, 1-18), particularly in the 'post-rationalist' strand of global political economy influenced by Foucault. Analysing power by means of political economy then has a direct relationship to issues of poverty, since power and privilege are the handmaiden of poverty (Wallerstein, 1999). This idea is found in Murray, who also argues that poverty should be analysed in relation to other social classes, and that the term

> "'differential [or adverse] incorporation' into the state, the market and civil society is perhaps more appropriate than the now conventionally predominant idea of 'social exclusion' from the state, the market and civil society" (2002, 5).

In terms of livelihoods research, but of relevance here, he argues that historical analysis of social relations, or rather a 'structural or relational view of poverty' leads us to an understanding of the persistence, intractability, or 'deepening' of poverty 'driven', as these are, 'by questions about inequalities of power' (ibid).

In terms of the second observation above, without an adequate understanding of the barriers to productive economic participation, the chronically poor are often relegated to the category of passive recipients of safety-net social provision (Deacon, 2000: 37-38; Manji F, 2000; Tendler, 2002). It is the contention of this paper that it is in ameliorating their prior exclusion, or inclusion on highly adverse terms, within economic processes that offers the best long-term solution to reducing poverty. This paper seeks to isolate what it is about markets and more generally political economy processes that explains economic disempowerment, evinced in the denial of effective economic participation. It looks at markets from an institutional perspective.

An institutional perspective can be expressed in policy terms as instruments designed to change the 'rules of the game' in markets. Change can be organised around 1) entry into markets, for example, qualification criteria in terms of current asset holdings, 2) the ability to remain in a market when shocks or depressions occur, for example in the public provision of credit and/or business infrastructure, and 3) the terms of remuneration for economic activities carried out, and whether this is sufficient to meet the costs of participation. This paper, however, analyses broader social processes that necessitate such policy prerogatives. It looks at how the 'rules of the game' in markets are formed and (re)formed.

2.0 Structured adverse incorporation

Gilpin defined international political economy thus:

> "The parallel existence and mutual interaction of 'state' and 'market' in the modern world create 'political economy'…In the absence of state, the price mechanism and market forces would determine the outcome of economic activities; this would be the pure world of the economist. In the absence of market, the state or its equivalent would allocate economic resources; this would be the pure world of political scientist (sic)" (Gilpin, 1987: 8)

However, this exclusive dichotomy between economic and politics is now seen as deeply unsatisfactory. The sterile state versus globalisation debate which results from the idea of two separate realms has lead nowhere of relevance for policy makers bent on reducing the costs, or making the most of the opportunities derivative of globalisation processes. The duality of state/power/public and market/capital/private is untenable, as "power and capital manifest themselves in both state and market necessitating a truly political-economic form analysis" (Palan 2001, 4). Corresponding to this theoretical trend, empirical work has concluded that various transmission belts, epistemic communities, or institutional practices and norms of behaviour have a more potent impact on the distributional benefits and geographic exclusion zones associated with globalisation processes than does any structural inbuilt process of market relationships (see various authors in Palan, 2001). I do not intend to cover these in this paper, but instead prefer to relocate political economy within relationships of power, privilege, and poverty.

Meanwhile, globalisation theorists suggest to us that a wholly new deepening of international interactions has been reached in the present era. However, in comparison with the late nineteenth century some argue that the world economy has become considerably less, rather than more, 'global', as developing economies have become less important to its functioning (Gordon, 1988; Burbach *et al*, 1996). For example, in an illustrative example cited by Thompson, John Maynard Keynes is said to have remarked in 1919, about the spread of mail order commerce, that

> "The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep"
> (Thompson, 2000: 5-6 . Citing Keynes in the *Economic Consequences of Peace,* 1919).

If one substitutes 'personal computer' for 'telephone', the impact of technological developments in telecommunications in recent years do not seem as revolutionary to social relationships as they have been touted. The scope of access to communication has risen, but qualitative changes in human relationships are harder to find. This globalisation debate is not one I will reiterate here, albeit to state that I see political economy as a discipline as equally as efficacious in the 'new' era as the old.

The effects of globalisation on the world's poor are unclear, partly due to a nebulous understanding of the concept itself (see DeJong *et al* 2001, 33-4). More particularly the numbers 'don't add up' to suggest a widespread benefit to the world's poor from 'globalisation' Taking, for the moment, flows of foreign direct investment (FDI), as a proxy for the ability of poorer countries to obtain investment capital and thus 'join in' globalisation, the picture is complex. Foreign direct investment is seen to have a developmental potential, yet "there may be no other area of economic inquiry where so much has been written and yet we know so little" (Balasubramanyam, 1999: 29). The growth of FDI during the 1980s and 1990s was large, with "Annual average flows of FDI accelerated from $55 billion over the period 1981-6 to $243 billion during the years 1991-6" (ibid). However, several factors indicate a low propensity for the poorest countries to benefit. First, in 1996, 47 per cent of all FDI flows were actually cross-border mergers of existing firms. Second, while annual flows of FDI increased dramatically from $20 billion in 1987 to $129 billion by the end of 1996, some three-quarters of this went to just 10 middle-income countries, while the least developed countries accounted for less than 1 per cent of total flows, or $0.4 billion (Balasubramanyam, 1999: 31). These countries are almost certainly those with the highest levels of chronic poverty (Hulme and Shepherd, 2003).

Taking FDI as a proxy for globalisation, however, misses perhaps the most important global economy relation within societies where the chronically poor live, which is remittances by the diaspora. For countries like Bangladesh, Mexico, Pakistan, Palestine, and Zimabawe, and regions such as Kerala, the most significant linkage with the external world is money sent back from relatives abroad. In the case of Zimbabwe, for example, the professional classes have responded to crisis by swelling the diaspora, and have made remarkable efforts to help family members who remain. Zimbabweans abroad now repatriate at least 20 million pounds per month. However, ironically and tragically, efforts to help individuals and families in this way result in the wider impoverishment of the mass of the people by fuelling inflation and raising asset prices (*Zimbabwe Financial Gazette*, 17 October 2002). The rural and urban poor in Zimbabwe fail to access food at inflationary prices and rely on government fixed pricing schemes for staples. However, this access has also largely failed as companies, such as bakers, millers, and seed companies, will not, or cannot produce at the fixed prices.

If political economy is to become useful for analysing the chronically poor then FDI inflows are insufficient to understand globalisation. Arguably, of more significance for areas containing the chronically poor are the remittances from migrants. Appadurai (1990) introduces the idea of a 'financescape' into a model of global networks and flows, as one component of social relationships linking people and places. This was contextualised within wider ideas of the role of migration in the lives of the chronically poor by Kothari (2002, 20-22; see also DeJong *et al* 2002, 22). Financescapes are joined by ethnoscapes, technoscapes, mediascapes and ideoscapes in the larger model of networks and flows. This model is of use to explain financial flows that are not in the official domain, although they may be recorded in banking transactions or conversely, travel invisibly. They are nevertheless important to the sustenance of the poor, and the pattern of their flows is derivative from all the 'scapes' provided for in the framework. For example, where a financial diaspora exists it is most likely to be in another space linked by ideas and ethnicities, that is in an expanded 'ethnoscape', such as its former colonial power. Those sharing similar 'technoscapes' involving modern internet-based communications will sustain relationships within the diaspora better, which is likely to enhance monetary flows. In sum, bilateralism in monetary flows can then emerge as both a vulnerability and a strength to the poor left behind by processes of migration (see Kothari, 2002, 14-16, on the significance of those who stay behind as a likely category of the chronic poor).

2.1 Differential incorporation and the 'new destitutes'

There are thus limits to the simple categories of inclusion and exclusion in the context of the globalisation and poverty debate. These simple categories were popularised by the *Human Development Report* in 1999, which argued that these disparities had deepened (UNDP, 1999). However, there is greater accuracy in the term 'adverse, differential incorporation' to describe and understand chronic poverty as a dynamic, variegated and stratified category of individuals and groups adversely and differentially incorporated into the global money economy by processes of globalisation, or more generically, global political economy [2].

For example, Hulme and Shepherd (2003: 7-8) have proposed a five tier topology to represent the stratification of poverty: categories of the 'always poor', the 'usually poor', the 'churning poor', the occasionally poor' and the 'never poor'. They then aggregate these categories further such that the 'always' and 'usually' poor can be viewed as the 'chronic poor' while the 'churning' and 'occasionally' poor are the 'transient poor' and the non-poor are those that are never poor, through to the always wealthy (Hulme and Shepherd, 2003: 7). This typology illustrates a certain degree of movement between categories even as it retains an 'always poor' category. In the context of South Africa, du Toit provides a detailed case study of casualised working in Ceres, an area dedicated to export fruit farming (2003). He also argues for a dynamic understanding of chronic poverty, a 'move beyond any simple opposition between "inclusion" or "exclusion"' (du Toit, 2003: 36).

Meanwhile, Harriss-White (2002) further theorises the differences within this poorest category, in her work on destitution in India. She notes that in traditional political economy destitute people were theoretically nebulous subjects, verging on the invisible, since they are, by definition, without income or assets. Thus, their 'economic' destitution is a contradiction in terms since they are without those assets and income-holdings necessary to define them as economic subjects (Harriss-White, 2002, 1-2). On the 'social' aspect of destitution she notes that "a process of expulsion" and "denial of dependent status" are involved, such that one person's expulsion provides

> "some of the many conditions necessary for the accumulation of wealth by others. It is in this sense that destitution enters political economy" (Harriss-White, 2002: 1, 5).

Here, she is noting the relational status of the destitute to others.

Thus we have a highly calibrated, relational scale of socially defined categories of chronic poverty, which, according to Harriss-White, can be understood in terms of political economy by their *de facto* production of economic opportunities for others. This analysis can be extended within the frame of the national economy, and within discourses used to understand development and progress. A common developmentalist 'trope', or narrative has been that, given a certain set of resource endowments, an economy can be managed to be open and efficient which will inevitably lead to progress, industrialisation and welfarism in a national context. However, there is much evidence to refute this narrative, particularly in the case of extractive resource-based economies, -such as minerals or oil -suffering from the 'curse of resources' (Bush, 2003; see also Auty, 1995; Karl, 1997;). Given this evidence, from both an empirical and deductive viewpoint it is now clear that differential processes of economic incorporation are misrepresented in modernist discourse. That is, they are not linear and always progressing toward a more beneficent end point. Instead, differential incorporation allows for movements toward greater relative social remuneration to exist contemporaneously with processes of decline in social remuneration for like, or similar groups. These movements may be observed in regional geographies, countries, or social groups within countries, or based in combinations of associated dynamics concurrent in two or three of these 'spaces'.

For example, in a recent book on the decline of the Zambian copperbelt and its anthropological effects, Ferguson proposes a 'redlined' form of dialectical economic inclusion and exclusion associated with international capital (Ferguson 1999: 234-54). Ferguson prefers the term 'abjection' to exclusion, since the former more accurately models the experience of being "thrown aside, expelled, or discarded", not merely thrown out, but thrown *down* and humiliated (Ferguson, 1999: 236). This case involves the decline of a globalised extractive copper industry, that once implied modernity and industrialisation in Zambia. In Ferguson's sense, the moment of abjection in globalisation is where geographies are thrown out, or 'red-lined' as a disciplinary mechanism. This happens within states as much as to whole states. He explains that

> "disconnection and abjection...occur within capitalism, not outside it. They refer to processes through which global capitalism constitutes its categories of social and geographical membership and privilege by constructing and maintaining a category of absolute non-membership: a holding tank for those turned away at the "development" door; a residumm of the economically discarded, disallowed, and disconnected - to put it plainly, a global "Second Class" (Ferguson, 1999: 242)

However, while absolute exclusion for Ferguson means 'non-membership', it is clear from his explanation that it is a global relationship between the privileged and the weak which provides the context for a differential inclusion/exclusion moment.

In a more general sense, there is an observable trend in some, particularly sub-Saharan African, countries whereby the elites increase their global incorporation and consumptive power at the expense of the poor's inclusion. For example, there is an observable emergence of financial dualism in post-colonial economies, where those few privileged people have access to foreign exchange and a lucrative parallel economy, while the real economy is subjected to periodic devaluations. This trend is apparent in Zimbabwe, Zambia, Kenya and Nigeria and can be exaggerated by criminal activity. The elites associated with resource rents can shore up their own inclusion in global society and cosmopolitan consumption patterns by redlining other parts of the national community within processes of abjection. In this way, a national political project of development progress, or indeed a social contract associated with redistributive politics, is rebuked in favour of a more limited project of elite accumulation and popular exclusion.

This growth of privilege amongst poverty, and its contradistinction to inclusive models of national growth and development, is not countered or criticised within the neo-liberal mainstream. This leads to a paucity of policy and research related to redistribution as a mechanism of poverty reduction. Because poverty is rarely understood in a relational way, privilege is not subjected to questions of legitimacy in public policy concerning poverty. This is related to the claim I made on page 2, that research on poverty from a political science perspective suffers from a neo-classical bias in favour of a horizontal individuation of its supposed equal citizen-subjects. In this theoretical encounter, as in mainstream poverty discourse, poverty appears as an accidental consequence or misfortune, unrelated to the privilege of others in the context of scarce resources in a capitalist economy.

Similarly, the concept of 'social exclusion' implies a temporal dysfunction in relation to the normative assumption of inclusive political equality found within neo-classicism and its manifestation in liberal democratic theory. Many that use this discourse associate the poor's 'exclusion' with the lack of things that an 'included' person would have, read from a more wealthier class perspective – such as a salaried occupation, pension, or house. However, it can equally be said that from the perspective of the 'excluded' this narrative has little meaning: they are still very much included in situations, for example, of over-crowded housing, perhaps intrusive family networks and obligations, communal social events and church attendance. It is just that this type of sociologically localised and participant-centred understanding of inclusion is outside the boundaries of the assumptions of citizen inclusiveness in liberal democratic discourse. The existence of the poor here is an affront to the normative liberal assumptions of the political nation, and is to be met with policies such as 'Welfare for Work' schemes, which re-order and control the subjects of the supposed dysfunctional exclusion. The more structural approach advanced here, of 'adverse, differential incorporation', views the privileged and the poor in their dialectical and reciprocal relationship to each other (Bracking, 2003b).

2.2 Social effects of adverse incorporation

The effort to explain adverse incorporation, inherent in the process of globalisation, is made paramount by its social implications. This can lead to a malign politics of identity, as loyalties are transferred from 'national' civil society to various primary groups. Processes resulting from relative exclusion have been variously described as

1) ethno-nationalism, expressed in claims for increased autonomy or even separation; 2) micro-regionalism, and 3) the emergence of alienated groups within anti-state subcultures or criminal networks. Ignatieff has also theorised a modern post-colonial form of ‘narcissistic’ nationalism, where ‘the facts of difference’ are ‘turned into a narrative of self-determination’, where difference becomes ‘foreign’. Nationalism here is an abstraction from real life, an invented identity (Ignatieff, 1995a, 14, 19; 1995b, both cited in Ahluwalia, 2001: 68). While Ignatieff was not theorising nationalism in the context of globalisation, it is intuitive to argue that adverse incorporation or non-participation might spur a similar process of essentialist nationalism.

Economic disempowerment and the failure of markets leads to the destruction of social capital, destitution and violence, compounding the severity and duration of poverty. For example, Stiglitz, in introducing a re-print of Polanyi’s classic political economy text, *The Great Transformation*, notes that the collapse of the Russian and Indonesian economies could be predicted by Polanyi’s text of 1944 (Stiglitz, xii – xvii). Polanyi’s seminal text exploded the myth of the ‘self-regulating market’. Using an historical analysis of the ‘great transformation’ from pre-industrial to industrial society, he illustrates the central and necessary role of government intervention in managing markets and the terms of economic engagement. Stiglitz writes of the collapse of the Russian and Indonesian economies due to a failure of management (see also the earlier Stiglitz (2000)). In Russia, the effort to make a self-regulating market before adequate state institutions were in place led to the economy shrinking by almost half, accompanied by rapid capital flight. Meanwhile, those in poverty (using a four-dollar a day standard) increased from 2 per cent to close to 50 per cent, (Stiglitz, 2001: xiii), while life expectancy dropped dramatically and levels of social welfare collapsed. It has led to the establishment of an enriched state class with significant ownership in most sectors of the economy. Given that the country had a ‘new’ market economy the ‘public’ political sphere and the ‘private’ market sphere – whose boundaries are a highly contentious issue in any country – became rapidly intermeshed.

Moreover, at a national level the failure of the self-regulating market to provide for socio-economic progress can lead to unpleasant governmental regimes characterised by authoritarianism and violence. Polanyi remarked that “fascism, like socialism, was rooted in a market society that refused to function” (cited in Stiglitz, 2001: xv.). According to Stiglitz, he saw, “fascism and communism…(as) not only alternative economic systems; …(but) represent(ing) important departures from liberal political traditions” (ibid). There is a warning in this observation, that

> “there are myriad unsavory forms that the rejection of a market economy that does not work at least for the majority, or a large minority, can take” (ibid).

Widespread state collapse has been a common form in sub-Saharan Africa.

There are a number of pro-active government polices which can produce redistribution. (The paper examines some examples from southern Africa in section 4.1). However, questions of legitimacy and authorisation inevitably occur. Private property is a codified settlement from past struggles over resources, and resistance from privileged sections of society inevitably follows demands for social change. Stiglitz summarises that

> "Polanyi saw the market as part of the broader economy, and the broader economy as part of a still broader society. He saw the market economy not as an end in itself, but as means to more fundamental ends" (2001, xv)

I suggest that we do the same in that we see market rules and assets and property ownership as built in social relationships in the broader society. Moreover, the ends of concern here are redistributive and poverty reducing. If the market economy is to be harnessed to produce this, property rights must be changed with the democratic authorisation of the social majority, and hopefully without a backlash from elites used to undue privilege. Managing globalisation, that is market 'rules of the game', and property rights structures in the poorest countries is a policy imperative.

1.3 Moving from post ante to predictive research

This paper illuminates the broad trends that will effect the future reduction, production and reproduction of poverty; it is not primarily concerned with operative features of poverty policy intervention. However, even in this wide sense, using political or political economy analysis as a predictor of social outcomes is not the norm, but rather its antithesis. Moore and Putzel remarked that politics only became an important issue in development research when something went wrong:

> "There is a tradition in aid and development agencies of bringing in political analysis, if at all, in terms of problems and difficulties. 'Politics' is why desirable things may not happen. Politics is messy. Political analysis is used only to explain and to try to fix things that have already gone wrong." (1999, 5)

Political analysis has been applied variously to explain the failure of a project by spoilers unforeseen in the planning stage, or the failure of a programme of reform due to inadequate political will or elite motivation (Unsworth 2001; McCourt, 2001; Hossain and Moore, 2002 [3].

Moreover, without a sense of the political in its broadest terms research to understand chronic poverty and ways of reducing it may not pass the test of providing coherent and pragmatic 'knowledge'. Hickey's research framework establishes 'political capital' within the livelihoods framework, and sees it as a type of 'gate-keeper' capital allowing access to, and exploitation of other physical and human assets. This framework will go some way in embedding political research in the temporally immediate and in explaining why some research projects have gone wrong because of the missing role of politics (Hickey, 2003, forthcoming).

A similar phenomenon of retrospective research can be traced in the use of 'political economy' in poverty research. It is used to explain economic collapse; persistent and structural economic exclusion; and is rarely given the qudos of having any 'answers' to poverty alleviation. There are a number of excellent contributions which analyse the relationship between development policy, the practice of international financial institutions (IFIs) and the global economy (cf Cammack, 2001). However, few of these accounts then return to the micro policy arena to suggest what 'the poor' or enlightened elites, can do to change their structural incorporation, or indeed what is possible at the level of government.

Another related sense in which 'political economy' enters the language of poverty research is in terms of the history of a social structure, a form of contextual introduction before the 'real' quantitative research is reviewed. In this sense, political economy has a longer time-frame than many other disciplines, so can broadly define the journey along which the current poor, and their ancestors have passed. For example, Aliber correctly introduces the poor in South Africa as a product of first a society organised on racial lines – by a system of Apartheid -, and second, by the post-1994 adoption by the ANC government "of a fiscally conservative market-oriented economic strategy" (2001, 5). This is useful contextually, but could also be used predictively.

The nature of the macro-economic policy adopted by a government claiming to be pro-poor is related to how many poor people there are, the nature of their poverty, and the prospects of creating employment. For example, there is much work to support the conclusion that access to the labour market, in terms of employment, or to the goods market, as a trader is strongly determining of patterns of poverty. Aliber summarises from the KwaZulu-Natal Income Dynamics Study (KIDS) that "a key determinant of whether a household stays in poverty, escapes from poverty, or falls into poverty, is how that household fares in terms of employment" (2001, 2). In the KIDS dataset a high degree of volatility in employment was evident, a significant vulnerability given that employment made the difference between 'survival and total destitution', "but less commonly between being poor and being non-poor" (ibid). Thus, employment creation is critical, and it is an underlying assumption of macro-economics that what the government does, affects it.

However, this general statement of a causal relationship between getting the macro-economic environment 'right' and thus creating employment is not as simple as is often portrayed. The hegemonic policy conclusion currently held by the IFIs, is that neo-liberal open markets will lead to growth-related poverty reduction by 'trickle-down'. Thus in the case of South Africa, neo-liberal economists and mainstream policy advisors argue that investor confidence in South Africa – sustained by open trading, the (imminent) introduction of capital liberalisation, and fiscal conservatism - needs to be protected as a priority over expanding public services for the poor. More radical commentators would argue that the South African government is being overly cautious in its deference to private sector demands. What is clear is that a negotiation is taking place between the claims of property owners and political claims for resources, and in this negotiation agents such as the IMF have an arbitrating role. (I will discuss the boundaries of the politically possible that are derivative of the current orthodoxy in section 5 below.)

In general, political economy research can inform the development of industrial sectors; analyse changes in value chains as goods are produced, distributed and retailed; explain internalisation and fragmentation processes in multinational companies; and indicate how the commercialisaton of agriculture and the spread of agro-industrial complexes and contract farming might progress. We know that these processes are generic in a broad sense to the global capitalist form of economic organisation. However, these processes also have a historical and geographical social specificity. While spoken of as structural in many accounts, these processes actually result from the relative ability of capital holders to distribute employment and investment, and therefore manage human industry in order to recoup, revalue or move capital, with a consequent effect on livelihoods. I suggest that we can research and develop a predictive methodology, created from what is known within political economy about historically structured processes of social change and the likely behaviour of participants, in order to reduce the vulnerability of the adversely incorporated and excluded sections of the global poor. In the absence of social democratic market regulation (or as part of an attempt to reconstitute it), this predictive approach could at least help public planners to create alternative livelihoods for the constituency of the chronically poor.

This effort to predict vulnerabilities would be much enhanced if the private sector could be encouraged to enter into dialogues with governments over investment and production plans. However, while these plans are 'market sensitive' - inevitably rebounding on share values and profits - we have only past indicative trends to rely upon. These can be better harnessed to avoid sectoral industrial collapses; to plan for the newly destitute which the commercialisation of agriculture inevitably entails; and to provide property frameworks better suited to a redistributive and inclusive national economy. We will return to these assertions in section 5.

2.0 Political economy processes at work in agriculture

I listed a number of processes (above) of political economy change that inform patterns of poverty. In this section we will discuss how specific political economy processes affect patterns of poverty in the process of agricultural modernisation. First, however, we must reintroduce the effect of the global economy, since states exist at the boundary of mediation between opportunities and obstacles deriving from the global level, and the social and economic relations of the meso level where the poor are incorporated.

Given that the vast majority of states, by volition or due to conditionality, have open or relatively open, trading and financial regimes, what can be earned, and at what cost in borrowing, have a causal, if not determining, relationship on the fiscal budget and, by corollary, the politically possible. The global economy and its various price regimes affect the earnings of poorer countries, depending on their export bundles. Earnings have been particularly deleterious, since the commodity slump of the early 1980s, in countries earning income solely, or primarily from resource extraction in primary commodities, and those reliant on only one or two agricultural products. This is because of price fluctuation in general, and because some tropical crops have been substituted for temperate, sometimes genetically engineered, alternatives. The most obvious of these was the rise in consumption of saccharine instead of sugar, while the most contemporary would be the immanent market entry of a genetically adapted temperate vanilla plant.

More specifically, as we shall see in a moment, the processes of industrialism, commodification and the spread of capitalist social relations generate certain patterns of fiscal possibilities and boundaries. For example, industrialisation was isolated by Hossain and Moore (2002), through five corollary effects, as central to causing European elites to adopt poverty reduction policy from the mid-nineteenth century. The process of industrialisation, and the concentration of people in urban or factory areas that this generates, has also been seen as both a positive and negative policy driver for poverty reduction. In the late 19^{th} century in England concentration of population lead to a rapid growth of airborne diseases, particularly tuberculosis, which consequently led to the building of public bath houses and early sanitation and water provision.

3.1 Commercialisation of agriculture

A modern example of how the political economy of changing property relations is vastly impacting on the livelihoods of the poor, is in changes, *de facto* and *de jure*, to agrarian property systems in much of sub-Saharan Africa. Woodhouse writes of how investment in land, such as irrigation and terracing, have subsequently encouraged 'owners' to emerge, whether that be in customary or individualised land ownership systems (2002: 16). He notes that contrary to the perceived wisdom, privatisation of land tends to occur after this process of investment, rather than in individual land titling, and its accompanying social individuation being required before investment could be expected (ibid). Here investment, related to 'boom' areas of market opportunities (2002: 20) leads to alienation of land and its privatisation. Woodhouse further notes how land users holding customary rights have quickly responded to opportunities presented by markets, despite the conventional wisdom that customary tenure was a refuge from market forces (2002: 15- 16, citing Woodhouse et al 2000). In this sense, rights are not 'inalienable', but consist of weaker and stronger claims "that may extend to alienation by sale" (Woodhouse, 2002: 16; citing Woodhouse et al (2000); Lund (2000))". However,

> "As with intensification of resource use elsewhere,…. these changes tend to be accompanied by a growing differentiation between winners and losers, and little evidence of security for the poor"

(Woodhouse, 2002: 15; citing Hulme and Woodhouse, 2000).

Thus, even within customary land tenure systems, which have been assumed to be more welfarist, the process of individuation of land as property occurs, and moreover it causes an increase in inequality, alienation and destitution for the chronically poor, similar to that of commercialisation in land titled systems.

That such processes of property rights (re-)negotiation should be associated with inequalities in social outcome should not surprise us. However, it is a cautionary aspect to monitor given the central reliance on the 'modernisation', and/or 'commercialisation' of agriculture central to many PRSP strategies in Africa, including Uganda and Rwanda. For example, Rwanda has a hybrid rural system of land rights, but the growing number of wage labourers which are associated with commercialisation, and its creation of 'owners' make up, in fact, a large proportion of the chronically poor. Official statistics from Rwanda show that 60.3 per cent of the population is poor, with 65 per cent of these living in rural areas, and the highest poverty rate of 73.1 percent among those working in agriculture, especially pertaining to those reliant on agricultural wage labour (Mukandutiye-Rwiyamirira, 2002b: 26, citing MINECOFIN, 2002).

Meanwhile, commercialisation can expose farmers to increased risks. Within the Uganda study, those in the countryside showing a decrease in household poverty were mainly in the coffee export sub-sector (Okidi and Mugambe, 2002: 12). Okidi and Mugambe summarise that, "Although cash crop farming was the second poorest sector in 1992, it experienced a substantial decline in poverty from 60% in 1992 to 41% in 1996" (2002, 11). However, as the experience of the collapse of the international coffee agreement in 1989 indicates - where the price of coffee fell to half its 1980 level (Mukandutiye, 2002a: 34)– these improvements in livelihoods can quickly be eroded. The current effect of low coffee prices suggests the need to monitor the, otherwise optimistic, 1990s data on poverty reduction.

It may be that in the Ugandan case much of the coffee boom of the 1990s was generated by changes in market 'rules of the game' at a domestic level. Okidi and Mugambe note that the liberalisation of commodity prices, and the removal of monopoly powers of the Coffee Marketing Board (CMB) were central to this poverty reducing effect (2002, 29). They summarise that

> "At the time when the CMB was solely responsible for exporting Uganda's coffee, farmers' share of the export price was less than 30%. After liberalization of the coffee sub-sector in 1991, their share rose from 45% in 1991/92 to 82% in 1996/97. This has positive implications for poverty because an estimated 2.5 million people (about 13% of the total population) depend on coffee for their livelihood through production and marketing. The implication is that focusing on agriculture, especially through a modernization program, presents a real opportunity to reduce poverty and achieve substantial growth in other sectors through consumption and employment linkages" (2002: 29).

However, arguably small farmers are still vulnerable to the 'middlemen' who have replaced the CMB, and who over time could manipulate market access, if left unregulated. In relation to Rwanda, Mukandutiye asserts that "farmers are vulnerable to middlemen who buy their crops at very low prices when the family is most desperate", which increases farmers' income unreliability (2002a, citing MINECOFIN, 2002: 34). Also, there is some evidence that as central state regulation diminishes, tax collection associated with decentralisation in Uganda is creating disincentives for small producers to access markets and benefit from commercialisation (Mugisha, 2002: 57, citing Ellis and Bahiigwa, 2001: 21). Concomitantly, while participation in markets remains subject to 'gate-way' taxation, farmers, again, are forced to take lower farm gate prices from middlemen. (Mugisha, 2002: 57). These entrepreneurs, left unregulated, may eventually aggregate their powers and become powerful merchants, creating rural oligopolies to the detriment of the income and welfare rewards expected from commercialisation.

Okidi and Mugambe assert that implementation of the Land Act 1988

> "will directly contribute to increased productivity and agricultural transformation. Secure land rights through their credit connection are crucial for successful transformation of the country's agriculture via the Plan for Modernization of Agriculture. In this regard, the government has undertaken to establish a supervisory structure for the development of micro-finance institutions" (2002, 25).

The reason I quote these passages at length is to show how elements of this modernisation model have become automatically associated with poverty reduction, whereas in reality, commercialisation processes can take a number of paths where positive association between trade, investment, micro-credit and poverty reduction can break down. This is not to do with price fluctuation necessarily, but by the process of class formation in the countryside which is negotiated as new rights regimes come into force. The existence of high levels of competition between traders is an assumption and not something that happens automatically.

For example, large scale commercialised sub-contracted arrangements based on a core plantation processing plant have emerged through individuation in ownership in Kenya, Tanzania, and Zimbabwe. Regardless of their 'modernity' estate workers remain adversely incorporated, as some of the worst paid rural workers (for the

Zimbabwe case see Rutherford, 2001; and Loewenson, 1992). Tudawe provides an account of chronic poverty in Sri Lanka where estate workers remain the poorest group in rural areas, in terms of access to human capital where only 20 per cent of estate sector children complete secondary education, as compared to 67 per cent of urban and 57 per cent of (other) rural children (2002: 27). Additionally, the highest levels of child malnutrition and morbidity was observed in estate and wet zone villages (2002; 30, 28.)[4] Meanwhile, evidence on the poverty levels of sub-contracted outgrowers to estates in mixed (see 3.21 below).

However, it is not simply that plantation agriculture, as one form of commercial agriculture, is 'bad', since at the level of the state its taxation potential can be great. The land use pattern in Malawi illustrates this conundrum well. On the one hand, there are acute land shortages, particularly in the Thyolo and Mulanje areas, where indigenous people were evicted under colonialism to make way for white settler plantation agriculture (Chirwa *et al*, 2001 citing Krishnamurty, 1972.)[5] The Constitution of Malawi does not establish any clear basis for land redistribution and corrective justice (Chirwa *et al* (2001), citing Kanyongolo, 1999.)[6] The majority occupy marginal lands next to "huge plantations owned by members of minority groups who are successors in title to colonial settlers" (Chirwa *et al*, 2001). The UNDP calculated in 2000 that 40-50 percent of Malawians had no food security because of small land holdings, combined with

> "land degradation, degradation of other natural resources, constraints on the acquisition of farm inputs and credit and marketing of produce, farm labour shortages aggravated by high morbidity and mortality resulting from the HIV/AIDS pandemic and gender inequalities which prevent women from fully contributing to food production"
> (Chirwa et al 2001, summarising UNDP, 2000: 18-19).

This land ownership regime leads directly to food insecurity, food insufficiency and high malnutrition related mortality. In 1998, 30 percent and 48 percent of children under five years were underweight and stunted respectively (Chirwa *et al* citing Government of Malawi, 1999: 213-214). Such high figures indicate an extended period of deprivation synonymous with chronic poverty (Hulme and Shepherd, 2003).

The policy irony is in the contradiction between the high value of exports a plantation regime can provide, versus the household-based food security associated with (potential) land redistribution. While nine-tenths of Malawians make a living from (low-productivity) agriculture, it contributes less than half of GDP. However, the high-value plantation sector provides 90 percent of exports. Also, while industry accounts for 12 percent of GDP, a third is agro-based for export (Chirwa et al, 2001). Thus the revenue-creating aspect of commercial agriculture is significant, were its rewards to be more evenly distributed, while the projected fiscal effect of 'modernising' smallholder agriculture is rarely calculated, but ubiquitously promoted. This is not to say that land redistribution is not paramount to poverty reduction, but that also creating, or maintaining wage labour opportunities in the countryside cannot be discounted from national poverty reduction policy.

The importance of estate agriculture in some countries is underlined for two reasons. First, because land redistribution which destroys large farms, in the absence of an effective social and governance contract – ie. legitimacy - can cause a fiscal crisis, which can be illustrated from the current situation in Zimbabwe. Second, because many of the poor have a preference for formal wage labour over self-employment as micro-entrepreneurs (Woodhouse, 2001: 13; citing Start, 2001), should their subsistence agriculture disappear due to land concentration emerging as a product of commercialisation of small-holdings. It is also not always the case that estate workers are the poorest of the poor. For example, in 1997 in Zimbabwe, 75 per cent of the households in the total poor category were rural, as compared with 39 per cent of the urban households. Of these "about 84 per cent (of the) total poor (were) in the communal areas, 70 per cent in the small-scale commercial farms and resettlement areas, (and) 57 per cent in the large-scale commercial farms" (Tandon, 2001: 221; citing Government of Zimbabwe, 1997: xix).

When formal land rights are legally in place, and when concentration of land is relatively weak, political processes in the countryside can still deter poverty reducing agricultural production. For example, in Bangladesh, the *Vested Property Act* (VPA) of 1974 has been a major source of insecurity and human rights violations of the Hindu Community (Ain O Shalish Kendra, 1999: 192), as well as the de facto legislation by which land concentration and commercialisation has taken place at the expense of marginalised groups in general. According to one estimate the *Adivashis* (aborginals) have lost about 80 per cent of their land as a result of the Act (Bhoumic and Dhar, 1999). Land evictions and forceful occupations often take place with the tacit or active support of powerful politicians, while the victims are the poorest with little knowledge of even their *de jure* rights. Other communities affected are the *Chakma, Murma, Garo, Santal, Hajong, Tipra, Khasi, Murang, Shendhu, Panko,* and *Rakhaines*, who have been the victims of illegal land encroachment, with little defence in knowledge of their own land rights (Barman, et al, 2001).

A study by Barkat and Zaman has indicated that the Vested Property Act has been a major instrument in dispossessing the Hindu community. It has been estimated that 2 million acres of land have been dispossessed from Hindu landowners under the VPA (Barman *et al*, 2001, citing Barkat and Zaman (1999)). The principal beneficiaries are persons belonging to major political parties: the Muslim League (during the Pakistan occupation period, when the Enemy Property Act was first enacted), Awami League and Bangladesh Nationalist Party. This is irrespective of the constitutional commitment to principles of non-discrimination in land rights, formally held by these parties. The Hindu, Buddhist and Christian Unity Council, joined by human rights and civil society groups, and latterly supported by the Parliamentary Standing Committee on Land, have been requesting repeal of the Act. Meanwhile, according to a survey of 1998, 300,000 out of 980,000 acres of public *khas* (government) land in Bangladesh has been allocated by various governments since Independence. The remaining land is under illegal occupancy (Barman *et al*, 2001, citing Ain-O-Salish Kendra, 1999), largely by local elites.

In Bangladesh, this discrimination in law and practice by the powerful has set a precedent for further land evictions and human rights abuses due to commercialisation and industrialisation of agriculture. For example, the government since the 1980s, as a high profit earning activity, has encouraged the export of frozen fish, particularly shrimps. The Ministry of Land issued a policy that for land to be leased for shrimp farming the consent of the owners representing at least 85 percent of the relevant agro-ecological unit must be acquired. This policy has led to violence, intimidation, occasional murder, salinization, no guarantee for due return or compensation from the leaseholders, and thus destitution for less powerful members of the local ‘community’ (Barman et al, 2001).

Similarly, in Kenya the means to maintain a livelihood for the majority of the population in rural areas is fundamentally related to land and grazing rights, with 78 percent of all employment in Kenya found in the agriculture and allied sector (Ng’ethe *et al*, 2000). However, competition with settler agriculture and tourism has lead to widespread rural vulnerability and poverty. With the arrival of European settlers in the 1890s, the African populations were progressively displaced from the fertile agricultural land, and prevented from producing cash crops – tea, coffee or pyrethrum - which would have competed with the Europeans. By the end of the 1930s white settlers had come to own around 75 percent of the fertile land. Although some of this land has been redistributed to African small holders since independence, the cultivated land is insufficient to provide employment and livelihoods for everyone. Consequently, nearly 50 percent of the rural population lives below the poverty line (Government of Kenya, 1999) and there is extensive migration to the towns.

Kenya has both a long history of land appropriation and of redistribution. For example, by 1914, the colonial settlers had already confined the Maasai to less than 20 per cent of their former lands. By the early 1930s more than half of the productive agricultural land – over 8 million acres – was reserved for little more than 2,000 ‘white’ farms (Sayer, 1998: 37, 19). The colonial Swynnerton Plan of the 1950s, in respond to growing resistance in the context of *Mau Mau*, created a new class of sedentary farmers with land titles, now a rural elite in their own right. The post-Independence Million Acre Scheme of the early 1960s settled 34,000 families on fertile land previously used by Europeans, with 100,000 hectares redistributed between 1971 and 1976 (Sayer, 1998: 31). However, more than one-third of the best agricultural land is still owned by fewer than 1,000 families and companies (Sayer, 1998:31).

As significantly, the Maasai and other pastoralist groups who had suffered the worst land appropriation historically, were not the chief beneficiaries of resettlement schemes. Instead, the remaining uplands (post-independence) were increasingly taken over for wildlife tourism, wheat farms, ranches and irrigated flower farms, with the Maasai loss of further dry-season reserves, perennial water-points, and salt-licks. There are now over 50 game parks and reserves, covering almost 8 per cent of Kenya’s land surface (Sayer, 1998 61). These provide incomes for a small group of people and meet tthe'needs’ of foreign visitors, but intensify the poverty of many rural ‘neighbours’.

Meanwhile, the current household-based statistics in Kenya bear out patterns forming from other CPRC studies (summarised in Hulme and Shepherd, 2003: 17). For example, female headed households, are over-represented among the population living in absolute poverty (UN, 1999). In total, “Kenya’s three million small holdings account for over 70% of agricultural production and over 85% of agricultural employment, on less than half of the cultivable land” (Sayer, 1998:31). Although women perform most agricultural labour, they are disadvantaged in their access to land and credit, and vulnerable in the event of divorce, separation or being widowed. In both customary and statutory law, women cannot inherit from parents, and remarriage prevents inheritance from a deceased husband. These limitations on inheritance are found in Islamic and other traditional faiths (Ng'ethe *et al*, 2000).

Also reflecting the experience from Bangladesh, and in the Ugandan civil war period, many smallholders have lost land through political and ethnic conflict, and/or have suffered expropriation by the political elite. This was particularly the case for the Kikuyu in the Rift Valley area, in widespread political violence before both the 1992 and 1997 elections. Also in processes reflected in many African societies, pastoralists and others whose access to land has depended on collective communal rights, or secondary rights – particularly women and children - have experienced increasing vulnerability and dispossession. In Kenya this is due to two main processes: by a Government of Kenya and World Bank-funded policy of individualising legal tenure - Individualisation, Registration, and Title ('IRT') - and by the progressive expansion of tourism.

IRT provides legal freehold title based on English common law to individuals and records such transactions in a register. Women, in particular lost resources since only male heads of households were recognised in law as potential title-holders. However, the pastoralist community in Kenya has had some success in resisting IRT through the Kenya Pastoralist Forum (KPF), in protection of their traditional rights. For the pastoralist communities of the northern arid areas of Kenya, the means to work fundamentally involves access to grazing land. Land adjudication (privatisation) was 'successfully' carried out by the government in Masailand. However, according to Somali and Borana elders from Isiolo district, (taken to Masialand by the KPF, upon the event of the pending Adjudication in Isiolo district), the effects were disastrous:

> "The Masai have no land, only pieces of paper. They are not a people anymore. They don't even have a communal tree to meet under" (quoted in Markakis, 1999: 294).

Public protest in Isiolo successfully forced the withdrawal of the Presidential Directive to privatise land there.

3.2 Commercialisation to Industrialisation in Agriculture

The above examples illustrate that not all social processes are a given, but can be radically changed by human action. Similarly, instead of there being one pattern of the spread of land alienation, capitalist relations of production and associated proletarianisation in agriculture, there are many. However, a prominent result of commercialisation over time, is the engagement with agro-industrial firms, which can be a boost to economic growth. Beginning with an increased demand for inputs such as pesticides, fertilizers, mechanical draught equipment, an increasingly commercialised agriculture then attracts investment in processing units and downstream industrial activity. While these are generally seen as 'good' developments, in terms of the chronically poor they may either 1) completely erode any remaining secondary claims to participation in agriculture or 2) provide (low-wage) rural employment.

In the Zimbabwe case up to at least 1997, Tandon reports that the large-scale commercial farmers were sharing with the agricultural input companies - for fertilisers, pesticides and equipment - the vast majority of the wealth created on the farms, leaving very little left for the wages of (black) workers (Tandon, 2001: 229-232). This situation characterised an agricultural sector held "hostage to industrial oligopolies who siphoned off surplus value from the rural areas” (Tandon, 2001, cited by Raftopoulos and Sachikonye 2001: xxv), while simultaneously maintaining the commercial farm-owners in a ‘high-consumption’ lifestyle (Tandon: 2001, 247).

To understand the pattern of profitability described by Tandon the next section examines further how agriculture and industry relate. Agricultural systems undergoing modernisation soon require the application of technology and industrial inputs. In a crude but general sense, land alienation leads to commercialisation, then industrialisation, with the latter processes accompanied by a concentration of land and asset ownership. Industrial agriculture then often globalises with linkage to agribusiness MNCs.[7] New social patterns of stratification, a growing merchant class, a newly destitute group, migration and urbanisation, are associated with the ever-increasing commodification of agriculture.

I am not suggesting that this linear process rolls itself out in an inevitable, functional or standardised way, merely that this generalisation has enough historical precedent to be a useful ‘road-map’ in predicting social change in agricultural areas in newly industrialising societies undertaking agricultural modernisation.

In a general sense, this development could not, in any case, occur in a planned or linear fashion because of the nature of agriculture as human activity. The intention of modernisation is undermined in part by the reality of agriculture. Burbach and Flynn define the ‘problem of (capitalist) agriculture’ as

> “how to make nature step to the tune of the capitalist clock, that is, how to revolutionize the biological processes themselves" (1980: 28).

This motivation to produce industrial agriculture, for these authors, explains the constant application of new manipulations of ‘nature’, from fertilisers, pesticides and HYVs, through to biotechnology, tissue culture and gene transfer (Burbach and Flynn, 1980).

However, agricultural processes resist full-scale industrialisation, because they involve both mechanical and biological processes. Thus Goodman *et al* ague that an uneasy alliance is formed, where,

> "agro-industrial capitals are the protagonists of an unstable and constantly redefined alliance between rural, land-based or nature-based, processes and capitalist industrial production processes" (1984, 197).

The companies involved partially appropriate aspects of production, while the direct rural producers combine what has not yet been incorporated, and manage the technological applications (Goodman et al, 1984: 196). This analysis helps explain how agro-industrial companies can increase their level of profits relative to the rural producer, by managing those links in the product chain that are the most profitable, that is, inputs, processing, distribution, and retail. The producer is left with the least profitable and most risky activity, which is growing the crop.

Contract farming is a particular model where the farmer 'manages' the inputs supplied by the company, and bears the risks of the less predictable 'nature-based' processes. These can change over time. As new technologies are introduced, the balance of profitability in different stages of agriculture changes. Equally, as new market regulations change the balance of profitabilities associated with factors used to ‘make’ the profit – such as a government fixed price for fertiliser – economic actors will adapt their activities accordingly. In this process, it is important to note that the rural household is in a vulnerable position since it owns those factors of production least amenable to increased profitability: its labour, and perhaps its land.

The firms that manage this incomplete industrialisation of agriculture are often ones who once owned land, but by processes of nationalisation and local empowerment, moved into up- and down-stream processing. They are also firms who tend to concentrate their control in one national market until they have achieved monopoly prices, and then move to another. For example, Nestle and Unilever had their roots in colonial plantation agriculture, a control over direct production they often lost at Independence. They now form a duopoloy in many sub-Saharan African commodity markets in the formal sector, but in household products, like soap, detergents and processed food. Other large companies, such as Del Monte, originated in the north, but once they had flat demand in their home countries expanded overseas. These companies combined control global commodity markets.

The negotiation between the companies and the producers is an ever shifting terrain. This is partly to do with the complexity of how business is done, and with whom. In countries where direct investment was restricted following independence, such as Tanzania, Guinea, Mali and Mozambique, "new forms of internationalisation" were developed. These proved lucrative and included the "export of turn-key factories, systems exports, management contracts, (and) production sharing contracts" (Buch-Hansen and Marcussen, 1982: 33). Forms of profit extraction were to increasingly include transfer pricing, management and consultancy fees, royalties on trade names and the supply and then continued servicing of equipment (Halfani and Barker, 1984: 47). Agricultural TNCs have increasingly favoured subcontracting, have withdrawn from production, but retain control over crucial phases in the marketing chain.

By the 1990s, a conveyor of factories, some of them mobile and relocating even within one season, shipped food from Latin American countries up to the North American members of NAFTA. The integration of this food chain is illustrated in Barndt, using the example of the tomato, which is produced in Mexico; transported, traded and distributed into the United States and Canada, and then is commercialised and consumed in Canada (Barndt, 2002: 9-10; see also Barndt et al, 1999).

Gereffi developed global commodity chain (GCC) analysis to try to outline the complex globalisation within agriculture and food (Gereffi *et al*, 1994). In this analysis he asserts that production and consumption have been reorganised within “a structure of dense networked firms or enterprises” (Gereffi *et al*, 1994: 3). More particularly he argues, summarised here by Brandt, that GCC’s have “three main dimensions: an input-output structure (set of products and services), a territoriality (production/distribution networks), and a governance structure (authority and power relationships)” (Brandt, 2002: 48). Brandt continues that Gereffi distinguishes between

> “producer-driven commodity chains, in which transnational corporations control production networks, and buyer-driven commodity chains, in which large retailers and brand-named merchandisers shape and coordinate decentralized production networks while controlling design and marketing themselves (Brandt, 2002: 9)

In our brief historical outline (above), both processes are in evidence.

The large-scale plantation agriculture, common in sub-Saharan Africa in tobacco and sugar, is often owned now by a subsidiary or local holding company of an MNC such as Tate and Lyle or British American Tobacco. More recently off-season production of fruit and vegetables, such as mange toute and beans from Zimbabwe and Kenya to the UK, has added to the large plantation sector, although common here is a contract organised with the local large-scale farmer. Decentralised production networks correspond to the development of the contract farming form, undertaken with small-holders. The development of GCC analysis in the UK, has been more often than not referred to as value chain analysis (VCA) and applied in the African context (Kaplinsky, 2000; Gereffi and Kaplinsky, 2001; see Madeley,1999 for general MNC context). However, value chain analysis had its precursors in earlier work on agro-industry and agribusiness. For example, the seminal book by Mackintosh (1989), on the effects of the US agribusiness company ‘Bud’, in Senegal.

3.21 Contract Farming

One common example of the way this globalisation of agricultural production has occurred is in contract farming. During the late 1980s there was a remarkable hegemony within development policy that rural development was best carried out by linking small-holder farmers to agro-industrial and marketing companies to form the production unit of a long vertical chain up to the global economy. At the time, this was dubbed the ‘Harvard Business School’ approach, and was underpinned by both an unerring faith in free and open agricultural markets, and a similar faith in technical modernisation as a means to increase small farm productivity. Given that in the cycles of development policy modernisation of agriculture is again becoming a paramount option I will briefly summarise the results from the debate in the 1980s, which by 1985 revolved around ‘contract farming’.

In contract farming an agribusiness company, by means of a production contract, arranges with direct producers

> "to buy given quantities of crops with particular specifications, in return for modern inputs, extension services, and a fixed price" (Halfani and Barker, 1984: 48).

In Latin America, nationalization of foreign owned sugar plantations in Cuba (early 1960s), Peru (1969), Trinidad, Belize, Jamaica and Guyana (1970s) led to an increase in contract farming (Burbach and Flynn, 1980: 102). The banana transnationals also moved to a predominant contract form (Thomson et al, 1987: 20-21). Nestle decided to own no land or cattle, but sub-contract for all its milk supplies (Glover, 1984: 1148). In Northeast Brazil and Amazonia, outgrower arrangements have become widespread since this period, in the former induced by a variety of agro-industrial capitals producing a "narrow stratum of 'technified' family farms" (Goodman *et al*, 1984: 206). In Africa, contract farming is particularly associated with Kenya and the Ivory Coast, who have historically had liberal policies towards TNC entry.

A large list of costs and benefits is presented around the subject of contract farming. For processing firms, whose factories have high fixed costs, contract farming is said to provide a secure inflow of raw materials relative to open market purchases, thus allowing the plant to run profitably at, or near, capacity (Glover, 1984: 1144). The firms also reduce conflict with labour by not entering a direct capital/wage labour relationship, (which helps them avoid welfare responsibilities relative to plantation agriculture), since the producer contracts to sell his or her crop, not his or her labour

(Kirk, 1987, 47-50; Goldsmith, 1985: 1127). The risks and hazards of a "seasonally uneven labour requirement" are shifted onto the producer, which may have the additional benefit of the firm gaining access "to a 'hidden' peasant labour market" of other household members, such as women and children (Clapp, 1988:11; citing Lehman, 1986). The company also retains some control over the product, by means of the technical inputs it supplies, and specifications it demands.

Possible benefits to the host state include attracting foreign finance, increasing food supplies, higher export earnings, increased tax revenue and a possible saving on extension personnel and input provision (Clapp, 1988: 5). While some of these benefits will cause growth in the aggregate economy, which potentially is poverty reducing, direct benefits to the growers has been the subject of heated debate. Some see the contract as a value-neutral co-ordinating advice which increases the optimality of market information and the efficiency of exchange, preserving the autonomy of the grower, while providing access to technological, managerial and marketing assistance. Following this lead, three central benefits are often seen to accrue to the growers: increased income and security; access to previously unavailable inputs and credit, and an assured market. For the peasant the attraction is access to 'the magic of the modern', combined with a guaranteed market which appears less risky than subsistence. (variously summarised by Goldsmith, 1985; Glover, 1984; and Clapp, 1988). However, much evidence emerged in the mid-1980s, mostly in the context of Kenya and Brazil, that contract farming tends to benefit the larger growers disproportionately, such that ownership concentration occurs at the expense of the poorest. (Kirk, 1987:50; Buch-Hansen and Marcussen, 1982: 30-34; Halfani and Barker, 1984: 50; O'Keefe, 1984: 161, and Goldman *et al* 1984, 202-6; Feder, 1977: 566).

At a more theoretical level, Clapp argues that,

> "the widely promoted view of a contract as a bargain freely made by two equal parties is a form of mystification which is central to the effectiveness of the company's domination" (1988, 6).

Mystification occurs in that grower 'autonomy' is defined as the producer's freedom to sign or not: a definition relying on the notion that the company and farmer meet as equals in a market characterised by reciprocity and equality. In contrast, Clapp points to the significant asymmetry in the contract, in that the company typically retains legal title to the inputs and temporary rights to the farmer's land and labour "leaving him/her with the legal risk and little else" (1988, 7). Also, the contract terms are binding to the farmer, but the company can abrogate them at will, rejecting produce on its own criteria (Clapp, 1988; Feder, 1977). This alone weakens the producer's position since "the uncertainty over rejection removes one of the principle risk-reducing advantages of the contract...and lessens its value considerably" (Glover, 1984, 1148). For Clapp, the contract farming system is one of disguised proletarianisation, which secures the farmer's land and labour, while leaving him/her with their formal ownership. As such the producer becomes a 'propertied labourer', "on the one hand a landlord, and on the other a labourer who cares for corporate plants" (Clapp, 1988: 16; quoting Kloppenburg and Kenney, 1980). The farmer has only hoarding, dissimulation, selling outside and in breach of the contract, and the high cost to the company of enforcement, in her favour.

3.3 Conclusion

The negotiation of rights regimes in rural areas undergoing ‘modernisation’ or ‘commercialisation’ is a complex process, with probably inexorably hybrid results. The owners of market access opportunities, industrial processing facilitates, or the ability to exact transactional taxes will tend to negotiate a deal wherein the farmer is left owning parts of the factors of production (including formal title to land), but where the income generated is (still) largely expropriated. This is because, historically, privatised land becomes a factor of production that declines in value relative to others, such as inputs, transportation and crop values. Income earning assets tend to be those not necessarily belonging to the landowner in more industrialised agriculture. In this situation, market gate-keepers seek to maximise the income they lay claim to, while minimising the risk they are exposed to, by for example, providing credit for inputs and simultaneously being monopsolistic price-makers in terms of output. In this scenario, commercialisation of the agricultural land rights regime does not have any necessary poverty reducing effect, but often pushes the vulnerable into chronic poverty. In specific circumstances, the process may create a group whose lives are deeply and persistently impoverished through displacement or by having to take on a low-income-high-risk livelihood. It has been argued convincingly elsewhere that the ‘winners’ of agricultural modernisation processes are winners because there are losers (on Egypt see Bush, 2002). Without growth, and sometimes even with growth, agricultural modernisation can be a zero-sum game.

4.0 Property regimes and redistribution

‘every fence tells a story’ Ugandan project respondent

Understanding these outcomes requires us to return to a theoretical understanding of property rights. Rousseau once remarked in his *Discourses on the Origin and Foundations of Inequality Among Men* in 1755, that modern society began when the first person put a fence around ‘his’ land, and the resulting social construct that became ‘private property’ an unalienable commodity. This act, for Rousseau, created a new form of inequality beyond that benign variety, which naturally existed among people - of height, speed or whatever – into unequal holdings of private property that would magnify inequalities over time. While Rousseau is right to illustrate the importance of private property to the modern age, what is significant here is that it was and remains a socially constructed agreement. The people around the first fence could - and probably did! - pull it down. Over time however, their resistance was reshaped by a commodification of social relations as a whole: an acceptance of a discursive authoritarianism of liberalism’s marriage to ‘freedom, equality, property and Bentham’ (Marx, 1867/1999:113, cited in Bracking and Harrison, 2003 forthcoming), that is, capitalism.

The history of the creation of industrial ‘private property’, at least in America, again does not start with inalienable rights, but with agreements from public authorities to carry out a certain activity, recallable on abuse or failure to carry it out. The first corporations, given charters to operate in the 1600s, were strictly limited in scope and power. Queen Elizabeth I of England chartered the first corporations essentially to exploit and colonize foreign lands, with for example the Massachusetts Bay Company and the Hudson's Bay Company working in North America. Most companies had a charter life of 20 years and were conceived as institutions serving the public interest. Under this phase of regulation, there were periods when private rights to property were revoked. For example, in 1832, when President Andrew Jackson vetoed a motion to extend the charter of the corrupt and tyrannical Second Bank of the United States, while the state of Pennsylvania revoked charters to ten banks deemed not to be working in the public interest. However, in 1886, the social negotiation over corporate private property rights reached a watershed with the invention of 'limited liability', which basically insured owners against losses. A US Supreme Court ruling in a rail-bed dispute, "held that a private corporation was a "natural person" entitled to all the rights and privileges of a human being". Today, this type of private property dominates the global economy. Relatedly, corporations have grown omnipresent.[8]

In practice, however, the divide between private property relations, and the sphere of public policy and governance in industrialised states bears little resemblance to the mutual exclusivity of the 'public' and 'private' apparent in the mainstream literature. Instead, the relationship between public and private spaces in a society is complex, dialectical and shifting with the particular regime of state power. In fact, in times of rapid change, whether ushered in by economic crisis, a developmental state or as a consequence of radical reform or revolutionary periods, it is not unusual or unlikely that public/private boundaries will change dramatically. In periods of relative social stability, the boundary, or frontier of private ownership becomes accepted, adhered to and hegemonic. In this period the boundary is set in law as 'property rights' and 'human rights'. However, radical social change of a redistributive nature will inevitably disrupt previously hegemonic understandings of ownership relations. In respect of southern states then, whose societies are undergoing rapid change as a consequence of shocks, slumps and interventions from external environments, we can expect that hybrid institutions could play as important a role in economic change.

This historical diversion is intended to illustrate the point that the policy fashion of trade and investment liberalisation is a relatively new hegemony. It suggests that liberalisation could be better made accountable by charter licensing systems for corporations in poorer countries where investment risks could be socially underwritten, but charters could be revoked. The section below discusses ways in which states have been attempting to reform the inalienability and exclusivity of property rights regimes. It is by necessity illustrative, since there remains no overall or systematic research in the industrial area, although a recent interest in land rights and agrarian property relationships in Africa is in evidence.

4.1 Indigenisation processes: examples from South Africa

The overall framework of 'patrimonialism', remains the most prevalent and pursuasive body of political analysis of African state and political relationships (see Boyle 1988; Callaghy 1987; Sandbrook 1985; Bratton and van de Walle; 1994, or an excellent review of this literature in Ahluwalia, 2001). However, for our purposes of finding public policy instruments of poverty reduction it obscures as much as it illustrates. This is because it is insufficient in an important respect: its inability to analyse redistributive social relationships outside an *assumed* framework of illegitimacy. Handing state contracts to a small emerging elite of indigenous businessmen is depicted as cronyistic, while changing ownership relationships in favour of nationals is often depicted as illegitimate graft. Thus, redistribution of wealth in sub-Saharan Africa has been restricted by ideas of the ‘proper’ scope of public policy. That is, that private property is inalienable, and that financial collapse will be the outcome if governments attempt to change property ‘rights’.

Ultimately, the debate can only hinge on the context and depth of legitimacy held by a particular government in terms of its democratic and governance contract. For example, critics of empowerment processes have dubbed these patrimonial and corrupt. On the other hand, there are also clear examples where corrupt practise and self-aggrandisement is legitimised by the rhetoric of redistribution. One person’s rightful entitlement is simultaneously seen by another as illegitimate patronage. In sum, the character of each transaction can only be judged in the context of the prevailing legitimacy of the government, and the depth of popular support for its redistributive policies. This in turn will be positively effected by how inclusive these policies are, and how transparent is their implementation. Theoretically, this analysis contrasts with the ‘given’ disfunction that theories of patrimonialism, embedded in the *proper* divide of the private and public, seem to imply.

In reality, African states have developed their own means of creating markets and state-sponsored means of accumulation, primarily by processes of local content rules, indigenisation and empowerment, which are inevitably subjected to questions of legitimacy. Current conceptualisations of government as essentially ‘outside’ the market militates against us understanding these emerging institutional structures and economic multipliers. This is because very little current research concerns itself with forms of government interventionism, since agendas are still influenced by neo-liberalism and regulating ‘at the edges’ of a ‘freely’ working market. Current research within the *Centre for Regulation and Competition*, which compares different countries’ competition policy will contribute to (re)establishing the beneficial role of government in creating inclusive growth (Minogue, 2002). By corollary, because government economic policy has not been a priority in research agendas, less still has consideration of the types of redistributive policy so essential for socio-economic recovery. By this I mean where poverty reduction is a priority of government economic policy as well as, or instead of, economic growth *per se*.

However, there are two interrelated sets of experience and knowledge that can be brought to bear on examining poverty reducing government economic policy. The first is the institutions of development finance developed by both European states in the post-war period, and African states after Independence which serve as examples of how governments, by means of institutional sponsorship, have tried historically to enhance private investment, and to link such investment with development related concerns (Bracking, 2003a). At an international level the country funds provided by the International Finance Corporation (IFC) have helped to increase the levels of both country-based development finance available through development banks, and the investment available directly to private companies through equity funds. Initially the IFC, as a Bretton Woods Institution, had a clearly defined developmental mandate. I suggest that political will is required from the richest countries to ensure that IFC is now strategically (re)targetted for the benefit of the poor, in line with the international development targets (see section 5 below).

The second knowledge set available for understanding national level government economic policy is the comparative experiences of a recent revival of interest and action for redistribution on the part of southern states. This is partly related to the 'third wave' of democratisation, wherein economic and social rights agendas have re-emerged. It is also related to the resistance in many countries to IMF and World Bank measures of adjustment, which are widely understood in terms of austerity packages. The salience of this revival is probably in Latin America's southern cone, where economic collapse in Argentina and the election of the Workers Party in Brazil radically illustrate the pressure from these countries populations for a new redistributive politics. However, here I will discuss the southern African context, which in South Africa, has the added dimension of the heightened post-apartheid expectations of poverty reduction and redistributive justice.

In the context of poverty, inequality and post-colonial social relationships there has been a wave of policy programmes designed to change the boundaries of property rights. There is a long history of redistributive reform attempts in sub-Saharan Africa, beginning with Africanization during and after Independence, progressing to co-ownership projects under SAPs, and now revisited through widespread empowerment and indigenisation programmes. These promise and sometimes deliver the benefit of helping 'indigenous' business people gain initial working capital, list capital ventures and access finance in the name of economic progress and growth. They also lead to industrialisation and job creation. However, they are also subject to graft, cronyism, and elite replacement with little economic benefit to the masses.[9]

In the Zimbabwean case, land redistribution has degenerated to widespread illegality and malnutrition, resulting in an economic crisis of tragic proportion (Sachikonye, 2002). In post-independence Namibia, there is a mixed picture of the effects of indigenisation so far. For example, there is an imaginative government policy for indigenisation of the fishing industry. Indigenous companies were allocated licenses in 1993 permitting them a right to fish, while ex-patriate South African and German companies who had previously dominated the industry were required to form partnerships with license holders to continue in business. Melber (2003) has analysed the policy, and concludes that some redistribution has occurred. However, by means of a complex web of holding companies ownership has become opaque, and a certain level of rent-seeking behaviour is occurring between the political elite, many of whom were the beneficiaries of the license scheme, and the original owners (ibid). The interesting aspect of this policy is its use of a natural resource license, which has wider applicability, and resonates from the way companies were once regulated (see section 4.0 above).

In South Africa the need to redistribute wealth is paramount to reducing the poverty faced by the masses, where, using poverty line of R352 per month, "61% of Africans are poor, 38% of coloureds, 5% of Indians, and 1% of whites" (Aliber M, 2001: 9, citing May *et al*, 2000). From 1996 to 2000, formal sector job loss reached more than 800 000, there was a net outflow of investment, and in 2000 growth reached a four-year high even while formal sector job losses accelerated, the scenario of 'jobless growth' (Aliber 2001: 8-9). With growth not showing a capacity to reduce poverty redistribution presents itself as singularly important.[10] There is much to be redistributed, with extreme historical levels of inequality in resource distribution. Minerals and energy department spokesman Kanyo Gqulu summarises that,

> "63% of the SA's platinum resources are in the hands of one firm, 83% of the manganese resources in the hands of two, 51% of gold resources in the hands of two, and more than 95% of the diamond industry is in the hands of one firm"
> (Business Day, 2002a)

However, redistribution of productive assets since 1994 has been 'very limited', with, for example, only 0.6 percent of the country's agricultural land having been redistributed following the 1995 *Land Reform Pilot Programme*, benefiting just 60,000 black households (Aliber, 2001: 10, 50).

In the aggregate economy, black business ownership underwent a slump from representing almost 7 percent of the Johannesburg Stock Exchange's (JSE) market capitalisation in early 1999, falling to 4.8 per cent in February 2001 and then to 2.2 per cent in February 2002. Meanwhile, the number of companies classifies as black-owned fell from 38 in mid-1999 to 22 in 2001. In 2002, after February, the listing of two mining companies boosted representation of black economic empowerment firms, but still to less than 5 per cent of JSE-listed companies. As an indicator of impact in terms of 'wealth-spreading' the value of empowerment deals has been below R5-billion over the past six years, with the exception of the Johnnic/M-Cell deals in 1998. (Sunday Times (SA), 2002, citing research by Business Map).

However, some legislative successes have occurred. The South African government has arguably negotiated quite an achievement, with the *Minerals and Petroleum Development Act of June 2002*, and its current successor, the *Minerals and Petroleum Resources Development Bill* (due to pass in December 2002). According to *ANC Today*,

> "South Africa's first Mining Empowerment Charter, adopted this week by Cabinet following agreement among a range of stakeholders, captures the spirit in which the entire transformation of South Africa's economy needs to take place"

Specific commitments are for 26 per cent of the mining industry to be owned by "historically-disadvantaged South Africans within 10 years". The mining industry also "agreed to raise R100 billion within the first 5-years to assist black companies in securing finance to acquire stakes in the industry". There are also a flotilla of other measures to advance the social wage in terms of housing, learnerships, literacy, locally affected peoples, and commitments that within five years 40 per cent of "historically-disadvantaged people" will be in management, and 10 percent of those participating in the industry will be women (ANC Today, 2002).

5.0 Global regulation: rules-based systems and changing the rules

These experiments in social redistribution are highly contentious and can rapidly disintegrate into patrimonial processes and ultimately corruption. Some empowerment companies have failed to attract the financial support of banks that a company of comparable proportions might normally expect. This can lead to opaque state subsidies being activated to avoid public failure, which to many appear as arbitrary transfers. In general however, economic governance of empowerment companies remains patchy. This is partly because the legal precedents are still being tested across the whole spectrum of ideas of legitimacy. This national debate is not helped by the inactivity of global regulators in these areas, except to pronounce the mantra that property rights are sacrosanct. If this translated into a system of international regulation that was rules-based, with an equality of access and a representative accountability, the ideological support for 'property rights' would undoubtedly be a central pillar of governance. However, the IFIs have demonstrated ambivalence over the alienability of property rights, within their own behaviour. This suggests that urgent reform of the accountability of IFIs, combined with a clarification of different types of company and state obligations in international economic governance is needed.[11]

The politically constructed regulatory regime accorded to property rights is reflected in the policy differences, in terms of property rights, observable in international financial institutions (IFIs) policy packages. For example, the IMF response to the East Asia crisis and the financial meltdown in Argentina illustrates this ambiguity. During the East Asia crisis, the IMF resisted default as even part of the solution. Despite the fact that the majority of loans were made by private sector institutions to private sector borrowers, the IMF rejected default arguing "that bankruptcy would be a violation of the sanctity of contracts" even though as Stiglitz points out "they had no qualms at all about violating an even more important contract, the social contract" (2001, xii). Leaving aside the 'social contract' for a moment, the point here is that the IMF sought the protection of the private firms in Indonesia, who weren't to go bankrupt despite speculative behaviour of a profligate and unpropitious nature.

This protection compares unfavourably to the lack of protection the IMF then extended to the bankrupt individuals in Argentina following the foreign exchange shortage and the 'disappearing' of their savings in private commercial bank accounts. In this case, foreign currency savings of borrowers were involuntarily converted to local currency, subjected to currency collapse and an availability squeeze, and were effectively 'disappeared' by the banks. The customers were told they could not withdraw the money, and then were offered, in some cases, a fraction of it. Hopes that the IMF would support the dispossessed were recently dashed, when it supported HSBC's argument that because it had obligations to other customers overseas, it could not replace the deposits of its customers in Argentina. This case illustrates that there is a difference between the alienability of firms contracts and individuals contracts. If the IMF and World Bank are to head a 'rules based' system of international investment to the poorest countries then arbitrary decision-making, such as in the Argentinean case, will prevent widespread reengagement with these institutions in the minds of the working poor. Risks to savings will also reduce the monies available for domestic investment.

There are also indirect ways in which current policy orthodoxies of the IMF undermine the property rights regimes of certain vulnerable groups. Stiglitz comments in respect of the East Asian crisis that the IMF's role was to "provide funds to bail out foreign creditors while pushing for usurious interest rates that bankrupt(ed) domestic firms" (Stiglitz, 2001: ix). While domestic firms do not represent the poor as such, they offer a better record of employment creation than foreign firms in most cases. Stiglitz continues that IMF reforms in Latin America caused long-term structural unemployment, while in Indonesia IMF policies to eliminate food subsidies led to social turmoil, and ultimately scared away the investors the reform programme was designed to attract (2001, x – xi). The point here is that "Rapid transformation destroys old coping mechanisms, old safety nets, while it creates a new set of demands, *before new coping mechanisms are developed*" (Stiglitz, 2001: xi, author emph.)

Another indirect sense in which the IMF can undermine sustainable employment creation and stable property regimes is its sporadic pattern of lending and over-optimistic prediction. The IMF tends to focus on a few favoured countries. For example, Okidi and Mugame summarise for Uganda that

> "Between 1987 and 1992 alone, the country enjoyed World Bank support for about twenty-five lending operations worth over one billion United States dollars for rehabilitating key economic and social infrastructure" (2002: 28, citing Kreimer et al, 2000)

Meanwhile, other countries, as poor or poorer enjoy no funding because their governments will not adhere to conditionalities. It is perhaps an equity consideration that policy instruments be devised that have a redistributive economic effect for the poor, despite the policy proclivities of their governments, such as the reinsurance of local mutual schemes and cooperative societies. Policies such as these would also ameliorate the economic effects on the poor due to the IMF's history of overly-optimistic growth forecasts. These encourage governments to over-borrow, and have left unsustainable debt overhangs.

6.0 Conclusion

I began this paper by critically reviewing current research concerning the politics of poverty. I argued that a neo-classicist bias limited the understanding of poverty causation by assuming individuals had an equality of access to markets, and by extension, social opportunity. In this frame of reference, those who are poor, or the chronically poor among them, appear as an arbitrary by-product of accident or misfortune. They then become the passive recipients of palliative policy intervention. I then criticised the current orthodoxy of social exclusion from this perspective, proposing instead that adverse, differential incorporation was a more illuminating frame of reference with which to analyse chronic poverty.

I then argued that political economy could aid us in the process of understanding the dynamics of poverty reduction, production and reproduction. The paper reviewed the literature on globalisation, and more specifically agricultural modernisation, to describe the impact of these processes on the creation and reproduction of sub-national poverty groups. This discussion illustrated the non-linear and complex mapping of poverty outcomes even in the context of growth and 'modernisation', often related to the particular politics of the 'modernisation' process.

This paper concludes that there is a need to re-engage with Keynesian notions of government intervention to favour disadvantaged social classes and individuals. The structured processes of modernisation, commercialisation and industrialisation led to particular stratification effects, which suggests the need for deliberative government action to protect the adversely incorporated and the 'new poor'. The paper reviewed some examples from southern Africa of redistributive empowerment policies, and noted that a wider research effort could better evaluate the impact of these policies on the poor. Recognising that the scope of government intervention is potentially large, despite current neo-liberal hegemony with regards to economic policy, is important to the consideration of effective public policy that has the capacity to impact in a significant way on poverty reduction. There is a need to direct analysis and research to the current experiments and policies related to redistributive poverty reduction policy at the macro-level, rather than to concentrate exclusively on the myopia of micro-intervention.

Annex: Future research

I suggest two research themes to further the role that can be played by political economy analysis within the CRPR, and in reducing chronic poverty.

1. To develop work which reflects the importance of understanding the changing boundaries of property regimes and how these are shaped by political processes of legitimisation and accountability. This paper has sought to illustrate, both theoretically and practically, how important such changes in 'rights', and claims to resources more generally, are to potential redistributive poverty reduction policy. Further work in this area would involve undertaking a comparative review of experiences of state-based redistribution measures relating to changing boundaries within property regimes.

2. To design a research framework capable of developing the predictive quality of current political economy knowledge, particularly in the areas of adverse incorporation, commercialisation and commodification processes. This framework could variously draw on macro-economics, fiscal sociology and institutional analysis, and could help map the vulnerabilities associated with differing political economy processes and associated governmental policy regimes.

   Predictive indicators could include:
   - tracking patterns of dependence on various commodities and firms;
   - isolating the risks inherent in individual product markets;
   - understanding the institutional means of measuring risk and its relationship to liquidity and borrowable capital;
   - and planning for an industrialism which incorporates the poor on reasonable terms.

This type of research could help prevent further and future impoverishment of societies and groups within them. It could help the 'future poor', *before* they become the 'new poor'.

Endnotes

1. Taking the rate of urbanisation as a proxy for proletarianisation: “Almost 180,000 people are added to the urban population each day. It is estimated that there are almost a billion poor people in the world, of this over 750 million live in urban areas without adequate shelter and basic services” from (Habitat, 2000, 1)

2. The concept of ‘adverse differential incorporation’ already has a genealogy, with Wood (2000) providing a seminal account, reviewed in Moore (2001, 6-7), and developed in the specific context of political economy by Murray (2001).

3. There are current research efforts to explore political will and elite motivation further at IDS, Sussex, within the CPRC, and in the UNECA governance project, to name but a few.

4. However, a large propensity to spend income on alcohol serves as some explanation as to why estate workers show poverty indicators worse than their lesser paid and seasonally employed hired rural labourers (ibid).

5. Krishnamurty (1972) not traced in mimeo bibliography. The data from Chirwa et al (2001), Barman et al (2001), and Ng’ethe et al (2000) are from the International IDEA *Democracy Assessments* for Malawi, Bangladesh and Kenya respectively. Summaries of these can be found in Beetham *et al* eds.(2002).

6. Only Kanyongolo F. E. (1998), “Races, Regions and the Politics of Human Rights Jurisprudence in Malawi”, unpublished Seminar Paper, University of Malawi, Faculty of Law, June 1998, found in bibliography of Chirwa *et al*, mimeo.

7. There are several related terms used to label the set of monopoly capitals involved in agriculture: 'agribusiness', 'agro-industry', the 'agro-industrial system' or the 'agro-industrial complex'. As Glover summarises "while rarely defined, the term (agribusiness) generally refers to the activities of transnational corporations (TNCs) in agriculture, as producers, processors, or traders of commodities or as sellers of inputs or machinery" (Glover, 1984: 1143).

8. Adbusters note that “by 1997, 51 of the world's largest economies were not countries but corporations. Today, the top 100 companies control 33 percent of the world's assets, but employ only one percent of the world's workforce” (2002).

9. A research programme in this area is required to systematise the experience of empowerment intervention so far, from a poverty reduction perspective. This would bring together the existing illustrative examples.

10. In Uganda, by contrast growth has been associated with poverty reduction (Okidi and Mugambe, 2002: 12-13).

11. Promising research in the area of measuring the accountability of global institutions is currently being carried out by Kovach et al (2003), under the auspices of The One World Trust.

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