2 The World Bank and the Peasant Problem

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RURAL DEVELOPMENT

Rural development is an activity undertaken by governments and by international agencies, public and private. It takes a number of forms, many of which are combined with one other: credit programmes, irrigation schemes, farm settlements, extension services, marketing cooperatives, the provision of chemical fertilisers, herbicides and pesticides, and high-yielding varieties of seeds. Their purpose appears to be self-evident, namely, an increase in agricultural production and an improvement in living standards. However, at least in Africa, as several of the essays in this volume demonstrate, the historical record shows that rural development has often failed to achieve either of these ends, let alone both of them. By any criteria, successful projects have been the exception rather than the rule. There have been impressive examples of the expansion of the agricultural production in Africa, during the colonial period in some countries and since then in others. This has been achieved by rural producers reorganising production to take advantage of new or expanded markets for food and other crops. It required the provision of cheap transport by sea, rail and road; it owed little or nothing to the direct involvement of public agencies in agricultural production and marketing. With some significant exceptions, such involvement tended to hinder rather than to assist the developement of agricultural production (Hill, 1963; Berry, 1975; Hopkins, 1973; Williams, 1975; and the essays in this volume).

This bleak record has not discouraged the repetition of forms of rural development which have failed in the past. Old and discredited policies are offered as new recipes for rural development. International agencies have replaced colonial governments as the main promoters and financiers of rural development. This has increased the tendency to generalise formulas across ecological zones, national boundaries and colonial spheres of influence. Rural development is big business, offering contracts and employment to construction and consultancy firms, international experts and bankers, fertiliser, chemical and seed manufacturers and distributors, officials, extension workers and even, for short periods of time, labourers.

If rural development does not usually achieve its objectives, its increasing popularity needs to be explained in some other way. Clearly, a number of people benefit from it, even when farmers do not. The self-interest of the agents of rural development may not be sufficient to explain the activity, nor the particular forms it takes. A more adequate explanation needs to identify the purposes which the activity serves, both directly and indirectly, the justifications which are offered to legitimate the activity, and the assumptions, often implicit, by which its agents define their situation, objectives actions.

This paper will examine the nature and development of the policies and practices of the World Bank. It then turns to look at the problem which, it argues, the rural development policies of the World Bank are designed to solve. It identifies the contradictions inherent in these policies, and offers explanations for the current ideology and practices of the World Bank.

THE WORLD BANK

At the centre of the current international emphasis on rural development is the International Bank for Reconstruction and Development, IBRD, hereafter the World Bank. It is an international bank, which raises its money from international capital markets, and re-lends it at interest to governments to finance specific projects. The World Bank group includes, in addition to the IBRD, the International Finance Corporation, IFC, established in 1956, which lends money to, and invests in, private corporations and development finance corporations, and the International Development Association, IDA, established in 1960, which raises money from governments and lends it at concessional rates of interest to countries, mainly in the Indian sub-continent and Africa, which are deemed to be unable to afford commercial rates of interest (Mason and Asher, 1973: 345-419, 780-96; van de Laar, 1976b).

The World Bank was founded in 1944 at Bretton Woods, together with its associate, the International Monetary Fund, IMF. The United States government was then in a position to decide the forms, policies and personnel of these international organisations. They were both set up to encourage free flows of trade, investments and profits between countries, and thus the free convertibility of currency. This was designed to prevent the combination of trade barriers and competitive devaluations which had restricted international trade during the depression, and to 'open the door' of the markets of Europe and the colonial empires to American investment and its post-war surpluses. The IMF provides short-term loans to deal with immediate balance of payment crises in return for agreement to follow the policies which the IMF deem appropriate. Since the Marshall plan pre-empted the financing of European reconstruction, the World Bank has lent money on a longer term basis for agreed projects, primarily to developing countries (Mason and Asher, 1973: 11-61, 538-58; Nissen, 1971; Olinger, 1979).

The World Bank's first article of agreement requires it to 'promote private foreign investment', supplementing it for purposes for which private investments are not available (Mason and Asher, 1973: 759). Consequently, from 1947 through to the end of the 1960s, the World Bank's loans mainly provided the foreign exchange costs of the power stations, dams, railways, ports, roads and telecommunications necessary to the foreign industrial investment, which the prevailing economic orthodoxy (Lewis, 1953; 1954) identified as the source of economic growth, and indeed, as the very nature of economic development itself (Williams, 1978). Most agricultural loans went to large-scale irrigation projects and to provide credit and technical assistance to very large commercial farms, mainly ranches. World Bank loans expanded the market for exporters in metropolitan countries, and recovered the costs from government revenues in borrowing countries (Mason and Asher, 1973: 1978-9, 701-22, 833-48).

The World Bank's loans and its country reports, along with the views of the IMF, define the creditworthiness of governments for other private and public lenders, and both the World Bank and the IMF have organised consortia of creditors to arrange the re-scheduling of international debts. The World Bank has used the leverage which its lending capacity provides to direct money, not only to projects of which it approves, but to the countries whose economic policies it approves, and also as a means of getting governments to change their policies. In accordance with its own articles of agreement, and in line with the policies of the IMF, it has encouraged its debtors to dismantle tariff and other import barriers, to move towards a single and convertible exchange rate, and to facilitate private foreign investment and the repatriation of profits. It insists on settlement of claims for compensation of nationalised property (Hayter, 1971: 31n; Mason and Asher, 1973: 747n). It favours domestic measures to control inflation and eliminate subsidies, such as raising interest rates and public sector prices, controlling bank credit and government spending, abolishing consumer subsidies and price controls, and to keep wages down. The World Bank's economic criteria, apart from its sensitivity to US foreign policy, gave its lending programme an evident political bias against governments which attempted to raise the living standards of the poor, and in favour of governments which redistributed wealth and incomes to the rich, and which imposed the required fiscal discipline and political restraints on workers and peasants. Consequently, the World Bank has proved particularly generous to right-wing military regimes whose predecessors had been unable to raise loans, such as Brazil and Indonesia. The strategy of imposing import tariffs and controls to industrialise by import-substitution simply replaced dependence on one sort of import with another, at high cost, and generated foreign exchange crises (Weeks, 1972). These crises gave the World Bank both the justification and the occasion to press for a shift towards an 'open economy' policy, as in India in 1965 (Mason and Asher, 1973: 150-206, 420-81, 657-61, 675-83; 759-80; Hayter, 1971; World Bank, 1972c: 101-2; Payer, 1974; Libby, 1975).

THE NEW WORLD BANK POLICIES

Since Robert McNamara was appointed President of the World Bank in 1968, the World Bank in a number of policy statements has declared a shift in lending policy, towards agriculture generally, and towards providing resources to the urban and rural poor, and particularly to the small farmer, sometimes identified as the poorest 40 per cent (McNamara, 1968-77, esp. 1973; World Bank, 1975a, 1973, 1976). Such an apparently momentous shift in the priorities of the world's major development bank towards rural development and redistribution requires explanation, to which I return later in this paper.

The World Bank is not alone in declaring its commitment to rural producers and to the poor. Its policies and its pool of international experts are shared with other national and international agencies, many of whom use the vocabulary of redistribution and rural development policies with particular modifications, different political accents, and varying degrees of conviction (FAO, 1979; ILO, 1977; Dorner, 1975; Grant, 1973; 1977; United Kingdom, 1975, Overseas Development Institute, 1978).

From 1969 the International Labour Office, ILO funded a series of missions to underdeveloped countries, which focused on the alleged employment crisis and argued for a shift towards employment-generating and labour-intensive technologies. At the same time the World Bank was arguing for underdeveloped countries to use more labour-intensive methods of production in the face of growing population and unemployment (McNamara, 1969-71). In 1972, the ILO mission to Kenya, staffed in large measure by economists from the Institute of Development Studies at the University of Sussex, IDS, argued for a strategy of assisting the labour-intensive 'informal sector', and of redistribution from growth (ILO, 1972). This was taken up as *Redistribution with Growth* in a joint study by economists from the World Bank and the IDS (Chenery, 1974a).

The World Bank shares with other international agencies and the experts they consult a common rhetoric about the goals of rural development, redistribution and basic needs (Mahbub ul Haq, 1978). They draw in some measure on a common diagnosis of the development problem, which focuses on the discrimination of pricing and expenditure policies against the poor, and more generally against rural areas, and on the exclusion of the poor and of rural areas from access to productive resources (Lipton, 1977). The generalisation of this diagnosis, and of the strategies which follow from it, has meant that research proposals, development projects and policy formulations across the globe draw on its vocabulary and adopt its assumptions, often without further critical consideration. In this sort of way, the policy statements of international agencies define the ideology of rural development in particular, and development more generally.

THE CURRENT WORLD BANK PRACTICE

Does the current practice of the World Bank bear out its stated policy commitment to the rural poor? Total World Bank lending has increased dramatically in the 1970s: loans of £8.4 billion were approved in the fiscal year 1978 as compared to a total of £20 billion for the whole period 1947-June 1971. Loans for electric power (£1146 million in 1978) and transport ($1093 million in 1978) have continued to increase. However, loans to other sectors have increased even more rapidly. Industrial loans expanded in two ways, directly ($392 millions in 1978), where the increase has been made possible through a new willingness to lend to state-owned industries, and indirectly ($910 million in 1978), through loans to development finance corporations, mainly for on-lending to private companies. During the 1970s a number of industrial loans have been made for fertiliser production. In addition, the IFC has invested extensively in agro-industrial firms. The most dramatic increases in lending in the 1970s have taken place in the sectors identified by the Bank (World Bank, 1975a, b, d, e) as poverty-oriented, namely water and sewage ($375 million in 1978), education ($352 million in 1978), and agriculture, to which $3270 million loans were approved in 1978. Clearly the World Bank's claims to have redirected its priorities towards the poor rest heavily on this massive increase in agricultural lending (Stryker 1979; Mason and Asher, 1973: 828; World Bank, 1970-8).

The World Bank's agricultural loans increased sharply from 1969, and accelerated through the 1970s. Originally this was in response to a concern with the crisis of population growth, and the opportunities presented by the development of the new seed-water-fertiliser technologies. In 1971 the crisis of unemployment, identified by the ILO, joined population and malnutrition as the centre of McNamara's concerns. This required attention to income distribution and, apparently to that end, the adoption of labour-intensive production for export markets, untrammelled by minimum wage laws, trade unions and controls on multiple shift work. Since then, the World Bank has continued to support credit programmes to facilitate the spread of the new seed-water-fertiliser technologies, and an export-oriented strategy, based on low-wage, labour-intensive manufactures as well as on commercial agriculture (Woods, 1967, 1968; McNamara, 1969-71; World Bank, 1972a; 1972b: esp. 102; 1975a: 5; 1976: 50-3; Hughes: 1977: 37-52, 142-5).

In 1973 McNamara, in his address to the World Bank's Board of Governors in Nairobi, defined poverty as predominantly a rural problem which could be solved by raising the 'low productivity of the millions of small subsistence farms' (McNamara, 1973). Since then, the World Bank claims, a majority of its agricultural lending has been to rural development projects in which more than half the direct benefits have accrued to the rural poor. This would be an impressive achievement by comparison with previous experience in rural development (World Bank, 1973-8; Yudelman, 1976b; Mahbub ul Haq, 1978: 14).

However, there is very little evidence in the World Bank's *Annual Reports* that the benefits of its loans do accrue to the poor, or that the World Bank is taking determined steps to bring this about. In most cases the poor are simply assumed to benefit from projects designed to promote rural development in a whole area. The reasoning proceeds as follows: the World Bank is funding a project in a particular region with a population of, say, two million people. The project will benefit the people of that region. Half the people in that region are poor. Therefore the project will benefit one million poor people (World Bank, 1975; 54-6; 1977: 61, 63; 1978: 72-9). In a similar way, the World Bank identifies landless labourers as one of its rural target groups. They receive perfunctory attention from the World Bank, and from the economists who defined their policies, who rely on rural public works to increase the employment open to them (World Bank, 1975a: 24. 50-2; Bell and Duloy, 1974b: 133-5; cf. van de Laar, 1976a). For the Bank, rural development helps the poor by definition (World Bank, 1975a: 3; Lele, 1975: 20; Yudelman, 1976b: 380: Christofferson, 1978: 21).

An analysis of the agricultural projects agreed in 1978 shows a pattern reminiscent in form, though not in scale, of colonial policies, and con tinuous with the World Bank's agricultural lending in the 1960s (World Bank, 1978: 28-9*,* 72-9; cf. World Bank, 1970-7). Irrigation schemes, and rehabilitation of irrigation schemes, often on a vast scale, continue to loom large in Asian countries (cf. Wade, 1976). Landless labourers. and small farmers are to benefit only from this temporary employment on these construction projects. In Sri Lanka, labourers working on the World Bank-supported Mahaveli irrigation project were recruited by labour contractors, who profited from their ability to recruit workers at very low wages (J. Harriss, personal communication). The largest single loan, to Mexico, provides $200 million for livestock, always a major form of World Bank support to large capitalist farming. In some instances in Africa, World Bank livestock projects have involved enclosing common range land, enriching a small number of favoured people, apart from large corporate farms, and aiming to control over-stocking on the land left to the remaining pastoralists (Lele, 1975: 8-9, 59-60, 204, 206; Heyer, in this volume). Several loans in Africa and Asia finance the expansion of exports, particularly perennial tree crops. Several projects, particularly those in southern Europe , provide only agricultural credit. The one apparent innovation, which takes up the largest share of funds for Africa and Latin America, is the combination of credit, extension, fertilisers, pesticides, herbicides, hybrid seeds and improved roads, which constitutes 'integrated rural development'. These are organised by World Bank-directed project authorities. The provision of credit to encourage farmers to adopt the new 'green revolution' technology has been extended in scope, brought under World Bank control, and pronounced as a 'new style' of 'poverty oriented lending'.

The continuities with earlier colonial, and previous World Bank, policies are evident from an examination of the types of project which the World Bank favours. The explicit aim of the 'new' World Bank strategy is to increase production for the market (World Bank, 1975a: 3, 54, 107). The World Bank fears that the poor will consume a large share of any increase in their staple food production. Consequently, the World Bank will continue to lend. to large-scale commercial farms, as in the Sudan where, following the recommendations of the ILO mission (Faaland, 1976:2), it will finance a project designed to help 'existing large-scale mechanized farmers' to increase production of sorghum and sesame for export, alongside two programmes intended to mechanise smallholder farming (World Bank, 1978: 78; cf. World Bank 1975a: 12, 40). Most identifiable projects, whether to assist smallholders, strengthen transport and marketing agencies, rehabilitate plantations, or promote fishing, dairying or ranching, are aimed at increasing exports; some aim at increased domestic food production, by which they mean production for urban markets. Projects are not directed to the first priority of small farmers, namely to produce sufficient food for themselves.

Programmes providing institutional credit tend to direct subsidised resources to landlords and rich farmers (World Bank, 1972a: 29, 43; 1975b: 123). To correct this, the World Bank recommends separate projects for small and for large farmers, ending subsidised interest rates but not subsidies on inputs, provision of credit in kind and close supervision of small farmers to prevent 'misuse of funds for consumption' (World Bank, 1975b: 136, cf. 140). Borrowers are to be chosen on the basis of their local reputations, and the extent of their 'investment opportunities sufficient to produce a significant marketable surplus' (World Bank, 1975b: 143, cf. 162, 3). Such policies continue to provide more credit, and more of the subsidised inputs to which it gives access, to the better than the worse off, exclude the poorest farmers, and consolidate local status hierarchies (Watkins, 1978; cf. Lele, 1975: 85-93; cf. King, in this volume). The category of 'small farmer' is always open to arbitrary definition.' Cousins and Lappé cite a Guatemalan credit programme which allocated half the funds to the richest three per cent, with farms larger than 112 acres, and the rest to the poorest 97 per cent. Only one per cent of the loans went to smallholders, with less than seven acres, who make up 73 per cent of the farmers in the area (Collins and Lappé, 1979: 854).

'New style' World Bank projects show many of the features of their colonial antecedents. The Funtua Agricultural Development Project, one of five 'new style' projects undertaken by the World Bank in Nigeria in 1975 in the aftermath of the drought, explicitly aims to provide massively subsidised inputs on credit to two categories of farmers, the large and the larger. The Project management has identified some 20,000 progressive farmers' (Funtua Agricultural Development Project, 1978: 7) who are provided with seed and fertiliser to grow maize, which in this area is a cash crop sold to urban markets. In this, as in a number of other instances, progressive farmers are defined by their wealth, political influence, commercial activities, and amenability to outside advice and subsidies. In at least one village, they are local grain and cotton traders. The profitability of their farming depends on their ability to acquire large areas of land'. up to 100 acres, to employ cheap female labour, and to get large allocations of subsidised fertiliser. The viability of capitalist maize farming depends upon the precarious supply of fertiliser by the government and rain by Allah. The project has also created a small class of even large r 'overnight' farmers. These rich beneficiaries are drawn from army officers, government officials, contractors, merchants and members of the office-holding aristocracy, who purchase land in anticipation of benefits from the project and from cheap bank credits.

The farm management service draws up farm plans, supplies them with tractor units at subsidised prices, financed by government guaranteed loans from commercial banks, and even provides them with full-time extension workers (Jackson, J, 1979; cf. Heyer, in this volume, on livestock loans). The project explicitly rejected the alternative approach promoted by the Dutch Guided Change Project, which has now been wound up, of ensuring an equitable supply and economic application of the available fertiliser (de Wit, 1978). The Funtua project authorities assume that small farmers will benefit from the infrastructure of improved roads, dams, and farm service centres, and from the availability of subsidised fertiliser. In fact, the project's activities direct resources to the rich and away from the poor. Despite the impressive apparatus of institutions established by the Bank, it is not clear whether the project has increased production in the area to any significant extent. The World Bank's proposal to extend this approach to Lafia and Ayangba makes this large farm bias quite explicit: 'a prosperous agriculture industry ... would only be achieved through application of advanced. farming techniques which are particularly adapted to larger farming units either group or individually operated.' (World Bank, 1977a: 4; cf. Forrest, in this volume). Alongside this 'focal point approach', which is what 'integrated rural development' turns out to be, the World Bank continues, as it did in 1961, to favour the 'transformation' approach in the form of settlement schemes, as well as crop development authorities, which are designed to subject rural producers to bureaucratic direction (Coulson, in this volume, esp. quotation from World Bank, 1961: 75; 1972a: 46; 1974a: 15, 19; 1975a: 45; Yudelman, 1976a: 380; Bell and Duloy, 1974b: 120). In 1978 the World Bank blandly promised to repeat an earlier 1973 programme in order to increase the incomes of 9000 of the 'poorest' people in Senegal through a project that provides for civil works, agricultural development activities, consulting services and technical assistance so as to continue irrigation development in the Senegal River delta, and through the strengthening of the national development agency, to prepare the future integrated development of the entire river valley (World Bank, 1978: 77-8; 1973: 32). Adams shows how peasant associations opposed the developments, and just whose sort of development this project promoted in Senegal (Adams, in this volume). One form of World Bank intervention has promoted the expansion of smallholder production. This has been a crop authority which provides inputs to large numbers of smallholders, markets their crops. and in this way 'combines support and supervision by technical field staff with collection of repayments by deduction from returns'. 'It is being used successfully with crops which are subject to monopoly situations and are centrally processed....' (World Bank, 1975a: 115, 108, also 143). Such projects produce export crops for foreign firms, who supply inputs, prescribe methods of production and buy the crop at prices they can set. A number of projects establish smallholders as outgrowers supplying plantations, which have their own nucleus estates so that they are not completely dependent on smallholders for the regular supply of their raw materials (Cowen and Heyer, in this volume; Lele, 1975: 106; World Bank, 1975: 57; 1978: 77).

The World Bank recognises that cooperatives have been costly and inefficient, and that they have benefited traders, landlords and richer farmers (World Bank, 1975a: 37; Lele, 1975: 111; King and Roberts, in this volume). However, they continue to find favour, not out of any respect for cooperative values, but rather as an instrument of public administration. They 'provide a vehicle for collective negotiation of credit, input supplies and delivery of marketable surpluses', and a means of enforcing collective responsibility for debts (World Bank, 1975a: 7,9,37; 1974a: 16; 1975b: 155-7; Yudelman, 1976a: 379). Similarly, despite the World Bank's long-standing preference for private enterprise, it provides support to state marketing organisations and state regulation of private marketing or agricultural produce (Harriss, B., 1979b; World Bank, 1974a: 19). All of these institutions also direct production to foreign markets. These are both policy priorities of the Bank, independent of its concern for government's capacity to repay its loans (Kamarck, 1968, cited Hayter, 1971: 60-1; McNamara, 1976: 17; Hughes, 1977: 95).

To sum up the record of recent agricultural lending by the World Bank, to the extent that it can be gleaned from independent, first-hand-reports, and from the bland and self-congratulatory tone, and spurious numerical precision (Kinsey, cited Lele, 1975: 49, is the exception that proves the rule) characteristic of World Bank documents. There is very little evidence that recent World Bank agricultural projects have benefited the poorest farmers, or have even been intended to do so. There is evidence that the benefits of World Bank loans have accrued to the rich rather than to the poor, and that some projects have excluded the poor from access to productive resources and redistributed assets and incomes to the rich. Where projects have been directed to smallholders, they have been dictated by the requirements of agro-industrial firms and the fiscal requirements of the state. As has been pointed out by World Bank documents (Mason and Asher, 1973: 233, 421, 430; Hayter, 1971: 52-63), the consequences and effectiveness of its lending depends not only on the nature of the projects it supports, but on the general economic policies of the governments to whom it lends. The World Bank's leverage over its debtors is increased by its close collaboration with the International Monetary Fund and the United States Agency for International Development, by its role in organising consortia of creditors, and by its ability to certify the creditworthiness of particular governments. The extent of that leverage will clearly depend on how far countries rely on the World Bank and the IMF to meet their foreign exchange needs, and also, though not unrelated, the support which their policies command within the borrowing governments (Mason and Asher, 1973: 420-56; Hayter, 1971).

The World Bank's policy recommendations to change the distribution of income in favour of the poor focus mainly on the need to price commodities at, or near, free market levels, as determined by international competition. The World Bank rightly points out that measures to protect local industry, such as high import tariffs, overvalued exchange rates, subsidised credit and controls of food prices, not only lead to resources being wasted, but distribute wealth and income to the rich and away from the poor, particularly the rural poor (World Bank, 1975a: 30-1, 110-13; Hughes, 1977: 39-40).

However, the converse does not necessarily apply. A 'free market' would not allocate resources 'efficiently' or equitably, in the absence of appropriate technology, equal access of all to all factors of production and full employment of available resources. In. capitalist economies effective demand, control of the means of production, command over the labour-power of others and the capacity to control sources of supplies and markets concentrate wealth and power in the hands of the rich. It is hardly surprising that state intervention should accentuate this tendency rather than counteract it. The World Bank wishes to remove constraints on the free exploitation of labour, such as trade union actions or government legislation which protect wage levels and working conditions, and to promote low-wage, labour-intensive production for export markets (McNamara, 1969: 16; 1970: 21; World Bank, 1972a: 102; Hughes, 1977: 145). Free competition in the labour and international commodity markets will impoverish wage workers, and is unlikely to benefit either the urban self-employed or the peasantry (Bienefeld, 1978; Williams, 1976a: 39-41).

The World Bank further recognises land reforms. as measures that can promote both growth and distribution, and indeed may be essential to them. The World Bank declares itself ready to support projects associated with land reforms (World Bank, 1975c: 199-201;.Chenery, 1974a: 59-61, 119-22; Ahluwalia, 1915). However, it remains extremely coy about reforms which redistribute the land to the poor. Noting its own lack of activity in this field, it moves on to consider legal regulation of tenancy and alternative ways of reorganising land tenure, on irrigation and settlement and on outgrower schemes. The World Bank cites its support for the Lilongwe rural development project in Malawi, which involved the individualisation of land holding and not the redistribution of land (World Bank, 1975c: 230-3). In Ethiopia, the World Bank drew to the attention of the *ancien régime* in Ethiopia 'the relationship between the land tenure system and the distribution of benefits' (World Bank, 1975c: 227), as if the regime were unaware of it. World Bank intervention in Ethiopia promoted the expulsion of tenants from the land, despite the best intentions of the World Bank's officials (Cohen, 1975; Lele, 1975:42, 85, 87, 178-9). The World Bank clearly favours land reforms carried out from above, establishing farmers on individual holdings, and providing services to encourage them to expand production for the market. In Taiwan, Korea and Japan where occupying powers carried out land reforms and, in Africa, in Kenya where white settlers were bought out, such land reforms established the basis for economic growth, which benefited the majority of the population (Heyer, in this volume; Ranis, 1974; Adelman, 1974; cf. Apthorpe, 1979). However 'there have been very few cases of land reform, particularly in the areas where the political situation was reasonably stable and otherwise conducive to World Bank involvement' (World Bank, 1975c: 199). Clearly, then, the World Bank cannot support a popular land reform, where peasants and the rural landless appropriate land to themselves.

As the World Bank itself points out, it is much easier to get the governments to whom it lends money to change their pricing policies than to carry out a radical land reform (World Bank, 1975c: 234). Which governments are these? The massive increase in total World Bank lending in the 1970s was made possible by massive, and often indiscriminate, lending to a small number of countries, most of whom also borrowed huge sums from the Eurodollar market. The fourteen major recipients of total IBRD-IDA funds 'include several of the most politically repressive and socially unresponsive regimes in the Third World (notably Brazil, Indonesia, South Korea, Philippines, Argentina and Iran). Indeed, their rise in the ranks of borrowers followed the overthrow of previously more progressive governments or the intensification of repression by existing governments' (Stryker, 1979; cf. van de Laar, 1976a). The World Bank cites its loans to Tanzania as evidence of its progressive sympathies. It is rather quieter about Zaire, not an example of financial probity, creditworthiness or progressive sympathies, to whom the World Bank approved loans every year from 1972 to 1978 (World Bank, 1970-8; Stryker, 1979).

The World Bank's priorities are very clearly demonstrated in the case of Chile. The Allende government attempted to carry through redistributive polices, and submitted several elaborate proposals to the World Bank. In line with United States policy, and its own criteria of economic Policy, the World Bank stopped lending to Chile. Lending was eagerly resumed when the military regime slaughtered socialists and communists, imposed the necessary fiscal and social discipline, and liberalised Chilean trade policies (World Bank, 1974, cited Peace Press, 1975; World Bank, 1970-8; Streeten, 1975). Thus, a 1977 World Bank report was able to welcome 'Strong moves towards liberalisation . . . in countries - Chile and Argentina, in particular - which used to be prime exponents of high protection' (Hughes, 1977: 129). These economic measures, and the political repression necessary to enforce them, did not create in Chile a competitive economy, but promoted the domination of foreign monopolies and the domestic interests associated with them (Letelier, 1976).

Thus the World Bank continues to favour conservative fiscal policies, liberal trade and exchange rate policies and the protection of foreign investment. Consequently its lending policies continue to favour rightwing military regimes, who redistribute income and the benefits of economic growth to the rich. The World Bank's practice is clearly a long way from the concern for the rural poor declared in its policy statements. This discrepancy between ideology and practice requires explanation. Is it mere hypocrisy? Is it because local vested interests distort the benevolent intentions of the World Bank? What is the logic of its declared policy of directing resources to the small farmer? And what makes its practice so different?

In order to answer these questions, we first need to examine the problem which, in my view, these policies are designed to solve.

THE PEASANT PROBLEM

The 'target' of rural development, in the military terminology of the World Bank (World Bank, 1975a: 5-6; Chenery, 1974a) is the peasantry, that is, the class of independent smallholders. The existence of peasant producers appears to be an anomaly in a 'modern' capitalist world. Modernisers, of both liberal and Marxist varieties, have tended to assume the superiority of large-scale, capitalist production over peasant production, and thus the inevitability and desirability of replacing peasants by capitalist production. The problem is how to eliminate the peasantry as a class; an alternative solution is to subordinate them to the requirements of capitalism.

Peasants have posed the same problem, even more sharply, for European socialist states, who have sought to replace them by collective and state farms, or have tried to make the peasantry finance industrial investment by the state (Mitrany, 1961; Shanin, 1972: 1).

Peasants have classically been defined in two different, and yet complementary, ways. Firstly, peasants are part-societies, defined by their subordinate relations to external markets, the state and the dominant culture (Redfield, 1956). Secondly, they use their own labour, and that of their families, and their own land and tools, to provide for their own subsistence (Shanin, 1971, 1978). 'Peasant economy' (Chayanov, 1925) is not a self-sufficient mode of production (Harrison, 1977; Ennew, Hirst and Tribe, 1977). Peasants can only provide for themselves by both consuming their own produce, and selling and buying commodities. Further, peasant households usually both hire and sell labour-power to supplement family labour, seasonally and as it changes over the life cycle of peasant households, and also family income. Access to land and other sources of income is unequally distributed among peasants. However, neither inequality, nor the buying and selling of labour-power, nor production for the market are sufficient to produce a society of rural capitalists employing landless or 'allotment-holding wage earners' (Lenin, 1899: 177). Peasant communities reproduce themselves as, unequal communities. incorporating seasonal and casual wage labour, by producing both for sale and for their own consumption. Unlike proletarians, peasants are not separated from their means of production, but retain control over land and family labour (Williams, 1976b; Bernstein, 1978).

Peasants' control over their main means of production gives them a certain independence and security, which enables them to protect their own way of life. Peasants have responded to new opportunities and have organised production in new ways to improve and protect their conditions of life. They have refused to give up their way of life, and regard with suspicion the plans of outsiders to transform or improve it. The recalcitrance of peasants to outsiders' conceptions of progress, and the peasants' place in them, defines the peasants as a problem. It is the argument of this paper that the ideology and practices of rural development are conceived of as solutions to the peasant problem.

Liberals identify progress with capitalism, which they conceive as production for the market, and the adoption of modern methods of production. Modernity is identified with the diffusion of attitudes and practices to rural producers, and their incorporation into the market economy. Modern attitudes are defined as market-oriented. Modern practices are identified with the adoption of approved mechanical and chemical technologies and scientifically proven forms of cultivation. The object of state policy is to diffuse modern attitudes, inputs and practices, and to establish the conditions necessary for their adoption, and thus the expansion of production for the market (Hunter, Bunting and Bottrall, 1976b, esp. Hunter, 1976a: 43; World Bank, 1975a).

One liberal conception of the peasantry defines the peasant as 'traditional man'. In this view, peasants are bound by tradition, suspicious of individual betterment and confined by lack of imagination and resistance to innovation. They have limited wants or are plain lazy (World Bank, 1975a: 45; even Johnston and Kilby, 1974: 128; cf. examples cited by Roberts, and Coulson, in this volume). By contrast, Jones, for example, defines the rural producer in Africa as ‘economic, that is “rational” man’

(Jones, 1960; Schultz, 1964). This view redefines peasants as ‘rural capitalists’ (Hill, 1970), whose decisions are assumed to be based on utilitarian calculation of the relative costs and returns from allocating scarce resources to alternative ends. There is no need to promote market-oriented attitudes. The task is to provide incentives for commercial production.

In both cases progress is identified with the rationality characteristic of commercial profit-making. The differences concern the means for achieving it. The first solution is to remove control of resources from peasants, turning peasants into wage workers and leaving the direction of production in the hands of capitalist entrepreneurs. Other solutions seek to change, rather than eliminate, the peasantry. ‘traditional’ peasant producers can be ‘transformed’ by removing them from their ‘traditional’ environments, and resettling them on modern schemes under the direction of experts and officials. ‘Rational’ peasant producers can be ‘improved’ by providing them with modern inputs, teaching them modern practices, and facilitating the marketing of their produce (cf. examples cited by Coulson, in this volume). The problems of the peasantry are explained by their exclusion from the ‘modern’, that is the market, ‘sector’ of the economy (Chenery, 1974b: xv) rather than by their exploitation by it. The solution is to incorporate them into it.

Marx and Engels saw capitalism as a necessary condition for the development of production. Engels predicted ‘that capitalist production is absolutely sure to run over their (the peasants’) antiquated system of small production as a train runs over a pushcart’ (Engels, 1894: 647; Marx, 1867: 927-8). Since then, Marxists have continued to seek to maintain the orthodox assumptions by defining the facts in terms of the logic of the theory. They have analysed peasant production as a form of commodity production, whose logical development is capitalism, where labour-power itself is a commodity. Consequently peasants are to be understood in terms of the logic of capital. In this view, peasants are seen as a transitional class, which will inevitably be displaced by the technical superiority of capitalist production. They are able to sustain their existence in the face of capitalist competition only by overworking and impoverishing themselves. In this way, they serve the interests of capital by selling commodities cheaply. The backwardness of peasant production holds back the development of the forces of production, which are identified with capitalist methods of production, and the advance of civilisation (Kautsky, 1899; Marx, 1894: 119-23; Lenin, 1899: esp. 27, 172-87, 596-600; Banjaji, 1973, 1976a, b; cf. Harriss, J. 1979a: Djurfeldt, 1977).

(Alternatively, peasants are conceived as workers. maintaining a semblance of independence in the form of household, production, but actually providing labour-power to. capitalist firms as, in effect,. outworkers. Kautsky and Chayanov both recognised the process whereby firms incorporated peasant producers into their process of production by advancing credit for food and for means of production and buying their crops. Capitalists may intervene in the organisation of production, laying down inputs and crop rotations. Eventually, they develop the whole complex of agro-industrial activities which 'convert the farmers into a labour force working with other people's means of production' (Chayanov, 1925: 262; Bukharin, 1917:95,120-1; Kautsky, 1976: 44-5; Banaji, 1976b; 1977a, b; Cowen, 1979, and in this volume). In this way capitalists are able to command the value of the labour-power of rural producers without having to organise and manage the production process itself. and to enhance the productivity of peasant producers by supplying them with improved means of production. Peasant producers are modernised by subjecting them to the control of capital.

The complete integration of rural producers into the process of production of capitalist firms is a special case, as in the displacement of peasant producers by capitalist farmers (Bernstein, 1978). Most smallholders are neither independent producers, able to provide for themselves without entering into relations with the market, nor are they outworkers, whose means of production, means of subsistence and markets are all provided by the capitalist firms to which they are subordinated.

Since, as Marx points out, the liberal conception of society is defined by the sphere of exchange, it can make no fundamental distinction between the relations of production of the family farm and the capitalist farm. The continued existence of the peasantry is explained in terms of the competitiveness of the small farmer, who is seen as a capitalist farmer in miniature. Competitiveness is measured in relation to the scale of production, and its relative economies and diseconomies, with no reference to differences in the relations of production (Sen, 1975). Liberal theory applies to peasant production the categories for *describ*ing the phenomena of capitalism, profit, wages, capital. Peasants do save and invest. They do buy and sell in the market in order to realise an income. However, as peasants they do not make profits or accumulate capital, let alone pay themselves a wage (Chayanov, 1925).

Chavanov showed how production by peasant households could be understood as a means of meeting the subsistence requirements of the family. Given the capacity of the household head to command family labour, itself problematic (Wallace, 1979: 63-79), household labour will be used to expand production necessary for the family's subsistence beyond the point when the additional returns would justify the employment of wage labour. Where increased production of, or falling demand for, a commodity causes prices to fall peasants, who have no other way of meeting their cash needs, may. even increase production, and will survive in conditions in which capitalist. farms would go bankrupt, unless they are heavily subsidised (Forrest, in this volume; Brett, 1973).

Both liberals and Marxists have conceptualised peasants in terms derived from their respective ways of understanding capitalism. An adequate understanding of the peasantry needs to examine both the specificity of the social relations of peasant production, and the terms of their relations to the wider world, and particular to capital and the state. Peasants reproduce themselves through their relations to the capitalist market. Consequently the forms of peasant production are defined by their incorporation into the circuits of capital.

Marx, by distinguishing different relations of production, is able to understand capital as a specific form of social relation, by which capital acquires command over the value of the labour of producers, and not as a universal condition of social production. Marx is able to explain the relative efficiency of peasant producers not by the scale of their operations, but by the social relations through which they produce (cf. Taussig, 1978: 80-3). He cites Cairnes, who sums up the main argument succinctly in arguing for the superiority of family farming in the United States over slave plantations: 'The peasant proprietor appropriating the whole produce of his toil, needs no other stimulus to exertion. Superintendence is here completely dispensed with' (cited Marx, 1867: 450). Marx also argues that capital treats land like labour-power as a source of profit, and not, as peasant producers do, as a source of livelihood: 'all progress in capitalist agriculture is a progress in the art, not only of robbing the worker, but of robbing the soil' (Marx, 1867: 638). He argues further that peasant producers do not have to finance the profits and rents of agrarian capitalists and landowners and thus, it may be added, the high levels of socially necessary consumption and political expenditure of an agrarian aristocracy (Marx, 1894: 806). In these ways Marx is able to explain the continued existence of peasant producers, though he assumes that the development of agricultural production requires it to be organised on large, capitalist farms (Marx, 1894:807; cf. Djurfeldt, 1977).

Marx points out that capitalism does incorporate commodities produced by non-capitalist producers into the 'circuits of capital' (Marx, 1885: 185-90). He does not suggest that these commodities exchange in any determinate proportion. Marx builds the argument of *Capital*, vol. I, around the assumption that the mechanism of competition equates, one with another, the values of commodities, that is the social labour time necessary to produce them. Abstract labour, which produces value measured in terms of labour time, is a form of labour specific to capitalist production. It cannot be applied to peasant production, where labour does not take the form of homogenous abstract labour, producing value by the hour. Marx argues that surplus value can only be produced by wage labour, which is able to produce more value than the cost of producing itself (Marx, 1867). Consequently the theory of surplus value is only applicable under capitalist relations of production, and cannot be used to analyse relations between peasant producers and capital. Nor is it possible to do so through a theory of unequal exchange, since there is no measure, but the market itself, for what would be equal exchange.

Clarke suggest that commodities simply are exchanged and that these exchanges are not, even in principle, regulated by any laws of the capitalist market (Clarke, 1977). Marxists can only get round this problem by defining peasants as quasi-workers, engaged not in unequal exchange but in the production of surplus value (Banaji, 1977a, b; Cowen, 1979. and in this volume). However, the terms of the relations between capital and peasantry cannot be deduced from the logic of capital, nor, derived from a specific case. The command of land and labour by the household is the basis for the continued struggle between the peasantry and capitalists and the state for effective control of the conditions of production (Bernstei, 1978; Cowen, in this volume). It is the argument of this paper that the current rural development policies promoted by agencies such as the World Bank are strategies for subjecting peasants to the control of capital and the state.

THE PEASANT PROBLEM: A SOLUTION

The capacity of peasants to provide for themselves by producing for their own consumption and for exchange on local markets has been undermined by the expansion of commodity relations and the imposition of taxes. Rural manufactures have been displace (Bharadwaj, 1974:3). Peasant incomes are vulnerable to the vagaries of the climate, the incidence of cro entering into a cycle of indebtedness. In this way, they can be pressed into growing particular crops, on terms dictated by the traders who purchase them. A general decline in the terms of reproduction squeeze' peasant households are forced to intensify their labour in order to maintain their levels of consumption.

Nevertheless, the control which capitalists can exercise over peasant producers remains partial. Access to alternative markets, legal or illegal, or to markets for different commodities and for labour-power, competition among traders and the household's measure of self-provisioning all give peasant producers a degree of independence and bargaining power vis-á-vis capitalists and state trading organisations. It is this degree of control over their conditions of production which make peasants a problem for those who wish to exploit them.

If peasants come to depend on the market, both for their means of subsistence and to acquire their means of production, then they can only finance future production by selling commodities to the market. By limiting their freedom to sell to competing buyers, the state can complete their subordination to the requirements of capitalist firms, or the state itself. In this way, capital would be able to have its cake and eat it, that is, it will be able to take advantage of the ability of peasants to produce commodities, including labour-power, cheaply, without separating producers from the land and having to organise and control wage workers, and without having to provide incentives for the peasants to increase output or improve the quality of their produce. This solution is facilitated if the cost of rural development schemes can be passed on to the state, and ultimately to its ostensible beneficiaries, the peasants themselves (Bernstein, 1978).

In Africa the classic example of this form of incorporation of producers into the market is the Gezira scheme often cited as a successful rural development scheme. The irrigation of land in the Nile triangle by the Gezira Board enabled them to require tenants to produce cotton at prevailing prices as a condition of their tenancy. It requires a system of administrative controls comparable to those of capitalist enterprises for its operation (Barnett, 1977; Barnett, and Wallace, in this volume). In certain other instances, the incorporation of the peasantry has been effective in the absence of state control of the conditions of production. In cases of the production of certain high value crops, such as tea, tobacco or sugar, monopsonistic purchasing firms, such as Brooke Bond, Booker Bros. or British American Tobacco, have been able to provide means of production, enforce methods of production, and require peasants to produce cotton, tobacco and even palm oil of a form or quality not suitable for sale on local markets, and determine the price of the produce. These controls are facilitated on estates where firms establish rural producers as outgrowers, whose dependence on the capitalist owner of land and other means of production is close to that of the proletarian (Cowen and Heyer, in this volume; Feldman, 1969; Marcussen and Torp, 1978: 180-2).

It is in this context that we can understand the 'new seed-fertiliser-water technology for wheat, rice and maize' (World Bank, 1975a: 5), the so-called green revolution, as a strategy for subordinating peasants to capital (Pearse, 1977). The technology of the green revolution is presented as a means of increasing the productivity and incomes of peasant producers. This representation abstracts it from the complex institutional arrangements in which that technology, and the peasants who use and are used by it, are embedded (George, 1976: 115).

High-yielding varieties depend on the complementary provision of appropriate inputs of seeds, controlled water supplies, fertiliser, pesticides and herbicides, and their application according to prescribed specifications. The fanner cannot provide these inputs from his own production, appropriate them from nature or, as is often the case with animal manure, acquire them from neighbouring pastoralists. The methods and timing of production must be adapted to the technology provided, rather than in accordance with the changing circumstances of the household. Production is intensified by a combination of mechanisation, chemical technologies and the employment of wage labour. Consequently, the adoption of the new technology requires increased spending on inputs and access to government supplies and subsidies. The new technologies are used to produce crops for sale, so that the increased cost of the inputs can be paid for. They are often unavailable or unsuitable for local foods, and can only be grown for cash. Peasants who apply them come to rely on the market to purchase both their means of production and their means of subsistence. As Lester Brown nicely put it, 'using purchased inputs and marketing additional production, peasant farmers are drawn into the mainstream of economic life' (Brown, 1970; cited George, 1976: 116).

Capitalist farmers benefit from their superior access to purchased and publicly provided irrigation land, tube wells, fertilisers, machinery, and services, as well as their capacity to apply expensive inputs at the appropriate time and on a large scale. As a result, the pattern for small: farmers to produce higher yields per acre, and at lower cost, has been reversed in some cases. Poorer farmers often cannot afford to adopt the new production methods. They may rent or sell land to those who can; alternatively, they have to borrow money on onerous terms, or provide cheap labour for the new class of capitalist farms. Taussig shows how the introduction of the new technology in the Cauca valley, Colombia, undermined the ability of peasants to provide for themselves, and forced them to work on sugar plantations. Their intensified production on their own plots made it possible for plantations to pay very low wages, and yet for them to cover their subsistence needs (Taussig, 1978). There is evidence from several Asian countries that real agricultural wages have fallen as a result of the introduction of new technology (White, 1979; Griffin, 1974: 32-3, 71-2). Thus the new social technologies consolidate the dependence of the poor on patronage, accentuate existing inequalities and generate new forms of class inequalities (Pearse, 1977; George , 1976; Griffin, 1974; Hewitt de Alcantara, 1976; Harriss, J., 1979b: 215-306; Collins and Lappé, 1979: 854; Wallace, in this volume).

The costs of the new technology may be paid for in various ways. Seeds and chemicals are often subsidised in the first instance and or supplied on credit. Water may be supplied by state irrigation schemes. They are expensive to establish and maintain, and the peasant has to adapt his patterns of production to the administration of the scheme (Wallace, 1979, and in this volume; Bamett, 1977, and in this volume; Palmer-Jones, 1977a,b). High-yielding varieties also require such optional and not so optional extras as bulldozers for levelling land, tractors for ploughing and even combine harvesters, as well as the cost of extension services, agriculture ministries, agro-service centres, agricultural credit corporations, and a host of other agencies promoting 'rural development'. The state can meet these costs out of general revenue. It must recoup this by taxation, borrowing, or printing money. Inputs can be recouped in higher prices, but only if domestic, or foreign, consumers can be made to pay for them, a power largely restricted to agro-industrial corporations. Costs can be recouped from the producers, but only if they can be forced to sell back to the agencies who supply them. The new technology makes farm production dependent on the scientific knowledge controlled by international research institutes, and on the commodities supplied by multinational corporations (Brown, 1970; cited George, 1976: 116-17). The increased adoption of high-yielding varieties was followed by increases in the price of fertiliser, which firms raised more rapidly than the rising price of oil, their main feedstock. Dependence on fertiliser opens a market for foreign manufacturers, taking advantage of protective tariffs and selling to government agencies at high prices. Governments expand the market for agro-industrial corporations by subsidising the cost of their products, as well as the costs of producing many of the crops they purchase (George, 1976: 301-12; Feder, 1976).

These different examples show that those rural development strategies which have succeeded in increasing agricultural production have been those which have solved the 'peasant problem' by increasing the dependence of producers on production for the market to provide both their means of subsistence and their means of production, and by subjecting them to private and state monopolies in the provision of inputs and the purchasing of commodities. Agro-industrial corporations have benefited in all these cases. Peasants have benefited in some cases, at the cost of increasing dependence and even loss of control of the land. In others, they have been impoverished and dispossessed.

THE WORLD BANK: IDEOLOGY AND PRACTICE

The apparent shift in World Bank agricultural policy in the 1970s arose out of the developments of the 1960s. Three major influences stand out. The first was the World Bank's intensified involvement in India. In 1965-7 India's foreign exchange crisis gave the World Bank the chance to direct India's economic policy towards devaluation, the elimination of import controls, and a shift in agricultural policy away from ineffective agrarian reforms and community development projects towards the promotion of technical improvement. The World Bank saw the biggest problem as a Malthusian increase in population, to be solved by birth control and the green revolution (Payer, 1974:166- Mason and Asher, 1973: 372-3, 434, 455-6; 675-83; Woods, 1967, 1968: 13-14; McNamara, 1969,1971; Rudra, 1978).

In India and Mexico, where the new technologies were first developed, dramatic improvements in yield were realised in the best irrigated and most suitable areas for wheat. It was more difficult to extend the new technology to dry areas, and to other crops, where the increases in yields of wheat have not been approached. What is more, the new strategy appeared to be increasing inequalities, marginalising the rural poor, and developing capitalist farming. Hence the growing stress on employment and distribution. These problems would be solved by poor countries encouraging low-wage, labour-intensive export industries and small capitalist production, the latter being identified with assistance to the 'informal sector'. Integrated rural development projects would provide the infrastructure necessary to extend the new technologies to new areas, and international research institutes would develop technologies for new crops (Feder, 1976; Pearse, 1977). In 1967 the Puebla project was initiated in Mexico to extend the benefits of the green revolution to maize-producing small farmers, apparently at some cost and with modest effect (World Bank, 1975a: 46-7). The second major influence was the awesome example which Vietnamese peasants had provided to McNamara and his ilk of their capacity to resist the monstrous military machine he directed. McNamara argued simply that 'economic backwardness' breeds violence. Development would cure economic backwardness, and 'without development there can be no security' (McNamara, 1968, cited Spitz, 1977). To be successful 'development' would have to reach the poor, the World Bank's new 'target' group. Thus McNamara's translation from the

Department of Defence to the Presidency of the World Bank was followed, successively, by the establishment of the Pearson Commission to plead for more 'aid' (Pearson, 1969; McNamara, 1968, 1970:8), a concern with unemployment, under-employment, which means poverty - even among those who overwork (ILO, 1977: 18-19), and redistribution with growth (Chenery, 1974a; McNamara, 1971, 1972, 1975) and a shift in priorities towards rural development and the rural poor (McNamara, 1973) and redirecting growth to meet 'basic needs' (McNamara, 1977:23; ILO, 1977; Grant, 1977).

The third major influence was the shift in the strategy of multinational corporations away from direct investment towards joint ventures. often with governments, and the international marketing of technology, services and physical commodities (Petras and Morley, 1976; George, 1976: 160, 171). Prominent agro-industrial corporations, like Booker Bros. and Brooke Bond had to sell their plantations in countries like Guyana and Sri Lanka, and opened up new sources of supply and profits in promoting outgrower schemes and managing irrigation projects (Cf. Heyer, Wallace, in this volume). BUD, an agroindustrial firm in which the World Bank's subsidiary, the IFC, has invested heavily, has established plantations in Senegal and elsewhere, briefly including the Kano River Project in Nigeria, to open up West Africa to produce vegetables for out of season export to Europe (research by Maureen Mackintosh, cited Brett, 1978; Jackson, S., 1979). Oil corporations and other suppliers have expanded their markets for fuel, fertiliser, pesticides and herbicides. Esso established 400 agro-service centres in the Philippines to distribute them to farmers, but closed the centres down because they did not make profits (George, 1976: 119). The World Bank has established farm service centres, at public cost, on the Funtua scheme in Nigeria.

There is clearly an affinity between these developments, and the establishment of a new economic orthodoxy in place of the previous assumption that development required. a high rate of industrial investment, financed from agricultural production. It was argued that growth in output was not necessarily incompatible with more equitable asset income distribution (McNamara, 1970: 12, Chenery, 1974b: xiv-xv; Ahluwalia, 1974a: 17; 1977) or with strategies to expand 'employment' by encouraging. Labour-intensive production of crops and manufactured goods (McNamara, 1971, 1975; ILO, 1972, 1977: 16; Ahluwalia, 1974b: 46). Economists rediscovered old arguments (Chayanov, 1925; Warriner, 1939) for the efficiency of small farmers (World Bank, 1975a: 12; Lipton 1977: 16; Yudelman, 1976a: 368). Consequently, it would be possible to promote economic growth, more equal distribution of income and assets, and political stability, all at the same time.

The new orthodoxy shares the dualist assumptions of its predecessors. It distinguishes two sectors, a capital-intensive modern sector, with a high ratio of 'capital' to 'labour', and a labour-intensive sector where capital is relatively scarce (Chenery, 1974b: xiv-xv; Ahluwalia, 1974b: 46). Capital is taken to be the source of increased productivity.

The problem is that capital is concentrated in the modern sector, which employs relatively few people, and appropriates the benefits of high productivity, and of governments' fiscal, trade and spending policies, which tend to cheapen the cost of capital. The other sector is seen as ‘outside the market sector'. 'having only weak links with it' (Chenery, 1974b: -xv). It lacks the capital necessary to employ its surplus labour. Thus productivity and incomes are low (Chenery, 1974a; ILO, 1977; Lipton, 1977).

Capital should therefore be reallocated, at the margins, to labour, so that it can set, or be set, to work. This requires a redistribution of assets from the rich to the less rich (Ahluwalia, 1974b: 46-7) and even the poor. This will solve two sets of problems. Greater equality will expand demand for the goods needed by, and many of the good produced by, poor and under-employed men. Secondly, a reallocation of resources will increase output, by increasing the productivity of under-employed labour. Redistribution will further increase output on an additional assumption, that the marginal 'capital output ratio’ is lower for small than for large producers, that is that small producers use extra capital (which includes land by definition) more efficiently than large, presumably by applying more 'units of labour' to each 'unit of capital' (ILO, 1977: 33, 50-6; Lipton, 1977: 30-1).

The aim of development policy is to provide the poor with capital. It is assumed that the poor, being poor, tend to consume most of any additional income (Ahluwalia and Chenery, 1974d). This rests on treating the consumption patterns of peasants, who have to provide for future earnings out of current income, as though they were the same as proletarians, who do not. Consequently it is not sufficient to reduce taxes and improve the farmers’ terms of trade to increase the incomes with which peasants can buy the items they need. Assistance must be provided, at least initially, in kind, in the form of state credit, seeds, fertilisers and extension programmes. This in turn requires the creation of a costly bureaucratic apparatus to provide services. Programmes to provide inputs to farmers on credit require a mechanism for recovering the money advanced. The forms and costs of rural development practised by the World Bank follow logically from the assumptions of the economic analysis on which it is based, central to which are that rural development is brought to the peasantry from outside, and incorporates them into the market economy.

These assumptions are evident in the World Bank's new strategy for rural development. The 'low productivity' of smallholders will be raised by providing them with 'new or improved service systems to support a modem system of agriculture' in the form of the 'new seed-fertiliser-water technology for wheat, rice and 'maize' (World Bank, 1975a: 5), and by integrating them into the market economy. Thus rural development 'is concerned with the modernization and monetization of rural society, and with its transition from traditional isolation to integration with the national economy' (World Bank, 1975a: 3, 5).

The small farmer is not considered a possible initiator of agricultural development, but as a 'beneficiary' (World Bank, McNamara, *passim*). Rural development is not the business of farmers. It is accomplished by the state, by international agencies and their experts, and sometimes by international agro-capital. It is seen as an administrative process, through which planners design and execute their strategies. Consequently the local 'beneficiaries' of rural development must be organised to fit the administrators' convenience. Hence the enthusiasm of McNamara for the villagisation programme in Kigoma region of Tanzania (McNamara, 1975; World Bank, 1975: 23-4; cf. Coulson, in this volume).

The World Bank's 'philosophy of agricultural development' (World Bank, 1975a: 61) is an ideology of benevolent technocracy. It treats the state as a machine, which serves the objectives of whichever group directs it, and not as a relation of production, which subjects the producers to the domination of their rulers (Corrigan, Ramsay and Sayer, 1978: 7-13). The technocrats, and the international experts who advise them, are the ghosts in the machine, costlessly and impersonally allocating resources in accordance with their criteria of economic rationality and social justice. The World Bank and its advisers recognise that state policies and resources may be diverted. to serve the interests of privileged groups, and that it may prove difficult to identify appropriate policies and to execute them efficiently. They cannot ask whether these problems arise from the nature of the whole enterprise, and whether they should be involved in the business of rural development at all (Bell, 1974a; Lipton, 1977:164,338-49).

The efficiency of peasant producers in using resources contrasts sharply with the inefficiency of government institutions in providing those resources (Coulson, in this volume; Williams, 1975, 1976b). Consequently there is an inherent contradiction in promoting the lower cost expansion of production by small farmers through the provision of rural development schemes. The World Bank recognises that it is much more expensive to provide benefits to large numbers of small farmers than to a small number of large ones. Therefore a number of World Bank projects, like the Funtua scheme, focus their extension efforts on 'selected contact farmers' (Yudelman, 1976a: 378), presumably on the assumption that the benefits will then trickle down to other farmers (World Bank, 1972a: 29). Alternatively, settlement and outgrower schemes, cooperatives and crop authorities are used as instruments of administration, through which governments can provide services and reclaim debts. Settlement schemes benefit small numbers of farmers, if at all, at considerable cost. Cooperatives and 'progressive' ('contact') farmer policies tend to provide commercial opportunities to a small number of influential farmers and traders, and to consolidate their control of local patronage (Van Velsen, 1973; King, Coulson, in this volume). It is of the nature of rural development itself, that is, of the intervention of public agencies in peasant production, that it should tend to distribute resources to the better off and subject peasant producers to state control, and to agro-capital.

The World Bank recognises that projects must benefit the 'powerful and influential sections of the rural community' (World Bank, 1975a: 40) in order to avoid their opposition. Consequently they simply assume that the introduction of roads and rural services will mainly help the rural poor (Yudelman, 1976a: 375), so that there is no need to provide any exclusive benefits to the poor, though they do include special programmes for the rich.

The aim of the new strategy is to increase the production of the poor, without loss to the rich, as 'intervention which alters the distribution of the *increment* to the overall capital stock and income will arouse less hostility from the rich than transfers which bite into their existing assets and incomes' (Bell, 1974a: 56). Alternatively the rich can be compensated for losses which result from programmes to help the poor (Bell, 1974a: 59; ILO, 1972). There is no reason to suppose that the rich will be any happier with a redistribution of capital stocks to the poor in the future than they would be with an immediate redistribution (Weeks, 1975). The rich are as likely to be as effective in claiming their compensation as in avoiding any losses which development policies are designed to impose on them, apart from appropriating the benefits intended for the poor. Neither the World Bank nor its advisers are seriously committed to a policy of redistribution, which requires a direct assault on the power of the rich (Leys, 1975). But then, the World Bank 'did not say that we would try to redistribute income *per se*' (Yudelman, 1976b: 24; World Bank, 1975a: 17).

The high costs of rural development programmes do not fall on the people who benefit from them. World Bank loans are not repaid from the net returns on the projects, but from government revenues and further borrowings. The World Bank is interested in seeing that governments recover the cost of projects as far as possible, and that they contribute to foreign exchange earnings. The World Bank does not depend on this for the recovery of its loans. World Bank projects provide governments with foreign exchange, in return for World Bank agreement on the way in which the money is spent and influence on the general economic policies of governments.

THE WORLD BANK AND INTERNATIONAL CAPITALISM

The World Bank has increased its agricultural lending as one of the ways of increasing its total lending. At the same time, the foreign exchange deficits and external debts of the governments of underdeveloped countries have increased. The major increase in loans has come from the foreign banks in the Euroloan market. They have displaced official loans and grants as the most important source of net money flows to underdeveloped countries, and suppliers' credits as the main source of private loans. Most private bank loans have gone to the richer of the underdeveloped countries, such as Brazil, Mexico, Korea, Argentina and Philippines. The major borrowers in Africa have been Algeria, Zaire and, recently, Nigeria. Poorer countries have had to depend on official loans and grants. The World Bank has lent heavily to the main borrowers of Euroloans. Through the IDA it has increased its lending, on concessional terms, to poorer countries (Hughes, 1977: 82, 110-12; World Bank, 1973: 6-13).

The public debts of underdeveloped countries have increased rapidly, and steadily since the 1950s. This was the ironic but inevitable result of policies of industrialisation by 'import-substitution', which could only be financed by increasing export earnings, mainly from primary products, which also had to finance the local and import costs of expanding civil and military bureaucracies (cf. Beckman, in this volume). In the 1970s the boom in the prices of certain commodities gave some governments of underdeveloped countries the chance to raise loans on the Euroloan market. In 1974 and 1975 most governments in underdeveloped countries had to borrow money to pay the increased prices for oil and manufactured goods imports. These loans were provided from the funds temporarily accumulated by the oil-exporting countries. Private bank loans to underdeveloped countries maintained the profit levels of merchant banks and helped to solve the problem of recycling petrodollars and to maintain international trade levels during a period of recession. This was done by increasing the burden of these countries' foreign debt, which will continue to fall due, and in increasing amounts, through the 1970s and 1980s (World Bank, 1971: 51-2, 1976a: 67; Hughes, 1977: 26, 53, 70-120; Rothschild, 1976a)

The problems for international capitalism are twofold. Firstly, how can countries pay for their imports without resorting to measures such as import licences, multiple or overvalued exchange rates, controls on foreign exchange and the remittance of profits, which hinder the free flow of trade. Secondly, how can countries repay their debts to private banks, mainly in the United States, and to official lenders, when they do not earn enough from their exports to do so.

The solution is twofold. The World Bank continues to admonish underdeveloped countries to reduce tariffs, devalue currencies and end import and foreign exchange controls. They argue, with no reference to differences in the nature of the markets for the commodities exported and imported by different countries, that these measures will universally encourage export production, increase export earnings, and in this way enable countries to pay for their imports even without reciprocal action from developed countries. They recognise that prices of primary products tend to fluctuate, and may tend to fall relative to the prices of manufactured goods. Consequently, they recommend a shift towards the export of labour-intensive manufactured goods. If all countries were able to follow the examples of Hong Kong, Taiwan, and South Korea, this would intensify the competition among underdeveloped countries to sell commodities as cheaply as possible, and thus with the lowest possible wages. The expansion of tea exports from East Africa has already weakened the market position of Asian tea exporters, and of the workers who pick the tea. Developed countries would extend their controls on manufactured imports (Hughes, 1977: 39-52, 123-9; World Bank, 1972a: 99-102; Belassa, 1975; Brett, 1978). These policies may lead to imports rising more rapidly than exports, at least in the first instance. Hence the need for more loans. How are they to be repaid?

They are not necessarily to be repaid. Debts will be rescheduled, and loans will be renewed. Governments will contract new debts to pay off old ones. Even when, as in the case of Zaire, a government fails to pay the interest on its debts, it must not be seen to default: the IMF and the World Bank will intervene to renegotiate the definition of its obligations rather than set a bad precedent. The conditions of the renegotiation can be set. to a large degree, by the IMF and the World Bank, who can assure private lenders of the credit- worthiness of their debtors. This enables them to direct debtor countries to the liberal trade and exchange policies they approve (Hughes, 1977:53, 91-5,103-5; McNamara, 1976, 1977; World Bank, 1976:67-8).

Certain major difficulties remain. Poorer countries are unable, and sometimes unwilling, to contract large loans from commercial banks; this includes most African countries. They must continue to rely on concessional loans and on grants.

IMF loans are limited to short-term credit while the debt problems of the underdeveloped countries are increasing with time, and are expected to continue to increase (McNamara, 1976:17-20). Generally, World

Bank loans are limited to paying the foreign exchange costs of particular projects, which contributes to, rather than relieves the debts of its borrowers. This also restricts its capacity to influence the general economic policies of the governments it lends to (van de Laar, 1976a). Furthermore, loans must be guaranteed, and payments of interest, if not always of the principal, assured. Consequently private bankers have pressed for an increase in official lending to underdeveloped countries, and even for the governments of developed countries and multilateral agencies to guarantee or to take over some of the liabilities of commercial lending (McNamara, 1976: 20; 1977: 21; World Bank, 1976: 68; Rothschild, 1976b).

The World Bank's new strategy of rural development and income redistribution is largely rhetoric. It appears as if it is addressed to the social-democratic consciences of the practitioners of the business of rural development, and to defuse the radical critics of the practice of development. Its logic is to intensify the 'compulsive involvement' of small farmers in the market. It legitimates the World Bank's longstanding commitment to liberal trade and exchange policies, by arguing that these promote the welfare of the worst off. It finances, on a greatly expanded scale, a continuation of the various forms of rural development undertaken, with more or often less success, by colonial governments. These forms of rural development contradict the declared objectives of rural development. They do serve other purposes, providing employment to experts, or markets for firms, subordinating rural producers to the requirements of agro-industrial firms, enriching the better off, and extending networks of political patronage. They should be understood in the context of the more fundamental, and pressing responsibilities of the World Bank, to which it has consistently been committed since its inception, namely to ensure an 'open floor' to international trade, finance and investment throughout the capitalist world, and to manage the liquidity problems which arise from the relation of governments, and producers, in underdeveloped countries to international capitalism.

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