



policies that work

for sustainable  
agriculture and  
regenerating  
rural economies

# Trivial pursuits?

Reconciling  
sustainable rural  
development  
and the global  
economic  
institutions



John Cameron  
November 1999

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development and the global  
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A background paper for:

**Policies that work for sustainable agriculture and  
regenerating rural economies**

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### **Policies that work for sustainable agriculture and regenerating rural economies series**

There are enough examples world-wide to suggest that agriculture which is pro-sustainability and pro-people is working. We now understand the concept of 'sustainable' agriculture is not confined within the farm boundary, but has strong links (and a potential to be a dynamic force within) a wider rural economy. So, 'sustainable agriculture' not only contributes to greater agricultural production, but also environmental regeneration and local economic development.

IIED's Sustainable Agriculture and Rural Livelihoods Programme has undertaken collaborative research to look at 'Policies that work for sustainable agriculture and regenerating rural economies'. The overall objective of this research is to understand the policy contexts and instruments that can promote sustainable agriculture and social change. This has been done in high, medium and low income countries in both the South and the North. 'Success stories' have been identified and the policy environment that has permitted these to emerge has been investigated. Are there lessons we can learn from these 'islands of sustainability' that will help us turn islands into continents?

This paper is part of a series, which provide the contextual and conceptual background to this programme of research. The views expressed here are those of the author and do not necessarily reflect those of IIED or DFID.

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# Abstract

This paper reviews attempts to integrate the concept of sustainable rural development into the thinking of the global economic institutions (for example the World Bank and the IMF), and global policy makers. What does the concept mean at the local level, and what is understood at the international level? Is there any common ground? What role do the global economic institutions play in the process of developing, and implementing this concept?

The paper starts by attempting to build a framework for analysing rural change, before introducing discussions surrounding different forms of wealth and options for rural landholders. 'Trivial Pursuits?' looks at key assumptions behind development and the creation of global economic institutions in the last fifty years, leading to structural adjustment and 'adjustment with a human face' as well as New Institutional Economics (NIE). It then examines the institutions themselves, and their strengths and weaknesses. The following sections cover a variety of perspectives including ecological change, science and technology, economics, civil society and small and large landholders. The paper charts the basic concepts, progress and current state of thinking, within and without the global economic institutions, around sustainable rural development from these diverse perspectives, and the ways in which they can be linked to improve levels of human degradation and environmental degradation.

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# A conceptual framework

## Development and the global economic institutions

This 'think piece' examines the role of global economic institutions in the process of sustainable rural development. It provides a framework for participatory debate, mutual learning and collective action at local, national, and global levels. The framework is aimed at understanding and analysing rural change and reducing both human deprivation and environmental degradation. Key terms in the current debates on development are introduced, most of which will be familiar to people engaged in participatory local development.

The *Policies that Work* project grew out of the recognition that inappropriate and perverse policies and weak and ineffective institutions are limiting the spread of sustainable agriculture and the regeneration of rural economies. There are, however, 'islands of success', where policies and practices are 'working' to support the emergence and spread of more sustainable forms of agriculture. *Policies that Work* is in effect working backwards from these to identify the policy environment and processes that encourage and support sustainable practices and enhanced livelihoods opportunities. The project is examining the influence and impacts of agricultural and rural policies and policy processes on agriculture and rural livelihoods through a series of detailed country studies and policy assessments.<sup>1</sup>

The greatest challenge was to provide a framework that can be used in any rural situation and so do justice to the diversity of rural lives throughout the developing world. This forced the use of rather abstract language. To keep the paper accessible, a modular approach has been adopted with questions at the end of each section. The aim of these questions is to help consider the section's ideas in the context of specific, local circumstances.

## Understanding the assumptions which underpin approaches to development

The World Bank, rather than local development activists, has dominated much of the global language of economic development over the past 50 years. Its approach is guided by a number of assumptions. The first is that inequality within societies is the natural condition of the human species. This implies that with unrestrained markets and with individuals free to act as they please, society will operate in the fairest way possible. A society organised on these principles is claimed to possess the properties of democracy, freedom, liberty and equality. It is also assumed to be ecologically sustainable, because it is assumed that scientific innovations will help to correct any environmental damage caused by profit-seeking individuals. The resulting distribution of resources in such a society, although inevitably unequal, is seen to be as fair and just as possible. The philosophy guiding this approach is termed 'neo-liberal' and, in pursuit of these principles, over the past 15 years the World Bank has generally followed the International Monetary Fund (IMF) in imposing open market systems through Structural Adjustment packages and programmes.<sup>2</sup>

In the late 1980s a reaction to this approach emerged in the work of Cornia, Jolly and Stewart (1987) for UNICEF. This gave rise to UNICEF's 'adjustment with a human face' approach, mainly applied to child development. Whilst this approach is not perfect, it does offer a route for the World Bank's neo-liberal perspective to become less economicistic, less individualistic, and less short-term in its understanding of development.

This UNICEF initiative has been taken up by the United Nations Development Programme, the International Labour Organisation and other development agencies, widening the concern out from child development to more general human development. This highlighted the need for social policies in education and training, health and population growth, and emphasised improving quality of life for women and girls.

During the past decade, the New Institutional Economics (NIE) approach has emerged, offering a new agenda for sustainable rural development.

The essential aspects of NIE which have attracted the interest of development thinkers can be summarised as follows:

- NIE assumes that the operation of market forces has to be understood in a long term, institutional context;
- NIE assumes that changing institutions can have high economic and social costs with no certainty of off-setting social gains;
- NIE emphasises that open markets cannot guarantee efficiency, equity and stability because the information available to them is not perfect; nor can government plan confidently because it does not have access to full information.

Though the World Bank is being influenced by NIE ideas, the Bank still tends to evaluate changes in a society's institutions as positive or negative depending upon whether they are consistent with Structural Adjustment and support open market forces. The Bank's position can be summarised as follows:

- Government actions tend to undermine environmental sustainability;
- Combining subsidy reduction with privatisation as a policy package is good for sustainability;
- Prices arrived at through globalised international trade will support sustainability;
- The open market approach is so powerful that, if operating properly, there would be no need for anti-poverty policies and positive environmental action.

In this paper I propose a new conceptual framework. This can be used for both neo-liberal and NIE approaches to sustainable rural development. It takes into account the whole range of resources that people need to ensure quality of life, or sustainability. The underlying principles of this framework are that every rural society can be seen as having changing patterns of natural, produced, human, and, social wealth<sup>3</sup>:

- the physical environment is a reservoir of *natural wealth* important to human well-being;
- human activity in the natural environment results in *manufactured or produced wealth*;



- people can also develop their capabilities into skills whose expression over time as *human wealth* contributes to long term development;
- societies have collective histories of building trust, confidence and mutual security into relationships that constitute *social wealth*.

Sustainability can then be seen as maintaining the total stock of wealth in a society by managing changes in each form of wealth and the trade-offs between them. The global economic institutions have failed to understand the complex trade-offs between forms of wealth. Market forces are embedded in complex relationships between people's livelihoods and natural processes which are pervaded by uncertainty. Uncertainty is a shared condition of humanity, not something that can be packaged in insurance policies. In the past 50 years, the main approach to development has been the conversion of natural wealth and human wealth into produced wealth. The main aim has been to increase profitability, which was seen as the primary indicator of sustainability. However, this model is being increasingly challenged because of its failure to improve the quality of human lives in the long term, as well as its impacts on environmental sustainability.

The differing forms of wealth are discussed in Sections 3 to 7 of this paper, and conclusions are drawn for the global economic institutions. Control of the various forms of capital in rural areas is usually unequally distributed among people. Unequal control is associated with differing opportunities for sustainable development. Sections 8 and 9 consider these opportunities from the perspectives of the relatively powerful (with greater control of land) and the less powerful.

#### **Questions for investigation, discussion and action**

- a. What information is accessible in your area regarding the claimed benefits of structural adjustment programmes to sustainable rural development?
- b. What resources do and do not have market prices in your rural society?
- c. How open are markets for the resources in your society's rural areas and what institutional arrangements (for example, taxes, credits, tariffs) prevent them from being more open?



# The global economic institutions

The IMF and International Bank for Reconstruction and Development (the World Bank) were created at Bretton Woods in the USA as lynch pins of the post-World War Two global economic order. The World Trade Organisation (WTO), founded in 1995, is the first global economic institution to be created in the 50 years since the IMF and World Bank were born.

The institutionalist economist, Keynes, argued at Bretton Woods for an International Trade Organisation to regulate international trading relationships – a counterbalance to the solely monetarist approach of the IMF. He lost the argument at Bretton Woods and the General Agreement on Tariffs and Trade (GATT) was established as an awkward compromise, with the single objective of lowering the barriers to open market forces.

Since then, the GATT has seen a series of Rounds of negotiation, Uruguay being the eighth and last. The WTO was created as an outcome of the extended and difficult Uruguay Round. The Uruguay Round centred on disputes between richer economies, dominated by the USA, European Union and Japan. The rest of the world expressed frustration at its marginalisation, but to little effect. The WTO inherits GATT's simple ideology of opening global markets, but also has potential for introducing environmental and economic development considerations. Whilst the first WTO Director-General attempted to implement this wider mandate by reducing tariffs to zero for products from the least developed economies, this has failed to attract serious support.

The foundation of the WTO should have marked an important moment in the creation of global economic institutions, yet it grew out of conflict

and confusion rather than consensus. The first four years of the WTO suggest it is an organisation incapable of effective action. Whilst the GATT Rounds had a clear objective – to gradually reduce trade barriers, independent of national interests – the WTO is a judge with no clear laws to implement. The GATT principles were abandoned when the more powerful economies failed to accept that open market rules applied to them, even when their national interests were not being served. The WTO has not instituted any new rules so far. If anything, the global economy has become a more uncertain place for poorer economies.

While most poorer economies are being encouraged by the global economic institutions to follow their perceived market comparative advantages in primary commodities, the following quote from the most recent World Bank publication on primary commodity markets has this bleak forecast:

*“real prices in 2010 are expected to remain below 1997 levels because of projected more rapid increases in supply than demand. No major supply constraints are foreseen which will lead to sustained price increases. There is evidence of a fundamental break in the level of commodity prices.”* (World Bank, 1999, 3)

#### **Questions for investigation, discussion and action**

- a. How much do the people in your area know about the global economic institutions, their histories, and their mandates?
- b. How much sense of governance do the people in your area feel they have with respect to the global economic institutions?
- c. What do people in your area think will determine the prices of the commodities they sell, or could sell, on global markets in the next decade?



# A framework

## Assessing the state of rural environments and livelihoods

**Concepts: Rural deprivation and environmental degradation. Needs, capabilities, vulnerabilities and potentialities. The changing patterns of natural, produced, human, and social capital in rural economies.**

Rapid change in rural areas worldwide is putting increased pressure on both livelihoods and physical environments. This pressure is probably greatest in the lowest income economies, though pockets of growing rural deprivation and degradation can be found in richer economies. There is much debate about whether these pressures are due to processes internal to local rural life, or to external processes, including globalisation.

Any thinking through of the challenge of rural development requires an understanding of the underlying causes and the steps needed for effective positive action. For instance:

- If globalisation is the dominant process driven by Trans-National Corporations (TNCs), this calls for the urgent creation of a new international economic order by southern-oriented, multilateral institutions
- If national subsidies are encouraging unsustainable resource use, then the best next step would be the medium-term phasing out of subsidies with the assistance of international financial institutions
- If population growth is a dominant cause of unsustainable human livelihoods and natural resource use, and if this process is driven by the low status of women, then this calls for sensitive, long-term

intervention by non-governmental organisations (NGOs) with strong community roots

- If technological change in agricultural practices is causing human deprivation and environmental degradation, a process driven by national macro-economic demands, then this requires debt relief and the development of appropriate technologies
- If urban environments are suffering because of in-migration, causing growing urban air, water and solid waste pollution, and if this process is driven by structural bias towards urban areas, then better representation of poorer rural people's interests is required

Establishing priorities needs understanding, understanding needs analysis, analysis needs observation.

Because of the complex interaction between human deprivation and environmental degradation in rural areas, the current wisdom is that qualitative approaches using participatory methods create a more accurate understanding than using global quantitative indicators.

Stakeholder analysis can help identify the individuals, groups or organisations responsible for this pressure to change. It can also reveal how these 'change agents' relate to each other. Identifying variations in beliefs, values, motivations, and short-term and long-term aspirations can help to understand underlying reasons for change.

Once the process is better understood, it should be possible to identify appropriate actions to reverse processes of deprivation and degradation, and the appropriate lead agencies to be involved. The time profile, speed and reversibility of processes also need to be considered. Thirdly, interactions between processes can be identified.

Assessing such complexities, and making tough choices under conditions of uncertainty, are challenges that cannot be avoided in rural development. Perhaps the best advice to people active in the sustainable rural development field is to resist closure of debates and over-

simplification in arguments. All developmental activities should be treated as experiments requiring monitoring and on-going adaptation.

The analytical framework used to structure the rest of this report is in the spirit of a process approach, emphasising inclusiveness and acceptance of diversity.

### **Questions for investigation, discussion and action**

- a. What have participatory methods revealed about the processes hindering rural development in your area?
- b. What factors determine the quality of life in the rural areas of your society and how sustainable are they?
- c. What are the trade-offs between forms of wealth taking place in your rural area and what is the role of global economic institutions in these trade-offs?



# Ecological change and 'natural wealth'

**Concepts: Malthusian and Boserupian theories. Balances between population growth, technology and environment. Entropy, evolution and biodiversity. Growth in human populations in relation to livelihoods and ecological change. Net depletion of resources and ecological footprints.**

Two hundred years ago, Malthus attempted to demonstrate that human population and its physical environment would always find an equilibrium. This equilibrium would be maintained by extra deaths due directly or indirectly to food shortages, or fewer births due to moral and/or rational choices on fertility. This 'Malthusian' view has influenced many similar ideas today, all of which share an element of pessimism about human ability to invent technologies which can continuously support an increase in population growth.

In the 1950s and 60s, however, there was a feeling of optimism brought about by advances in technology. The best known expression of this optimism for rural areas was by Esther Boserup, who saw pressure of human population on the environment as a powerful inducement to technological change. Discussions in the 1960s and 1970s tended to be conducted between pessimistic Malthusian and optimistic Boserupian views concerned with ecology/population/technology frontiers.

The debate continued in the 1980s and 1990s, though neo-Malthusians tended to be gaining the advantage as Green Revolution optimism was overtaken by Greenhouse Effect pessimism. But growth in technological pessimism has been off-set by the rapid development of information and genetic engineering technology.

The interaction between the ecological and demographic dimensions of sustainability is further complicated by human migration as a key factor

in local sustainability. Migration from one ecological environment affects ecologies in both origin and destination areas, including urban ecologies.

Much research on the environment stresses rural poverty alleviation (and emigration from rural areas) as virtual prerequisites for conservation. Their conclusions suggest that, without improvement or at least stabilisation in livelihood status, the communities studied would erode their ecological base and yet their human populations would tend to grow.

For sustainability to be a basic concept in understanding change in rural areas, there is a need to achieve a multi-disciplinary analytical combination of the ecological, human demographic, and economic livelihoods dimensions of sustainability. In principle, there is no reason why any of the following combinations might not occur in an area over the long term:

<b>Ecological Change</b>	<b>Demographic Change</b>	<b>Economic Livelihoods</b>
Adaptation	Rapid	Loss
Degradation	Rapid	Loss
Adaptation	Rapid	Gain
Degradation	Rapid	Gain
Adaptation	Stable	Loss
Degradation	Stable	Loss
Adaptation	Stable	Gain
Degradation	Stable	Gain

It is possible to identify past or present examples of each of these hypothetical combinations. This might suggest that the three dimensions are independent and can be analysed separately, and the Western scientific approach tends to encourage such an assumption.



But it is more plausible that the reason so many different combinations are possible is the immense variability of local ecologies – even if the current global tendency is towards environmental degradation, significant demographic change and some overall livelihood gain. Thus the ecological dimension seems a promising starting point for understanding how local patterns of human livelihoods can vary so widely with differing degrees of sustainability.

Any net rate of loss of a resource due to human activity is of concern when trying to ensure sustainable livelihoods and maximise the conservation of biodiversity. However, the diversity of local ecologies within and between rural areas makes generalising about changes in natural wealth difficult. It may be possible to estimate the physical rate of use of a single local resource by taking each resource in turn. It may also be possible, although more difficult, to assess whether the rate of replenishment of that resource is sufficient to match the rate of use. However, assessing the outcomes of interaction between differing resources changing at different net rates is enormously complex.

The choices of how to approach sustaining natural wealth need to extend beyond the local rural area to the wider environment. The impact of human activity can almost always be felt in environments further afield. This is termed the 'ecological footprint', and the clearest global example is the impact of the higher income countries on the natural wealth of the societies that produce many of the physical commodities the higher income countries consume.

#### **Questions for investigation, discussion and action**

- a) How would you characterise the processes of human population, livelihoods and ecological change in your area, and what does this suggest about sustainability of natural wealth?
- b) What biological and non-biological natural resources are being depleted in your rural area and is a conservation or preservation approach more feasible to protect their natural wealth biodiversity potential?
- c) What 'difficult to renew' resources are entering your rural area, how sustainable is this natural wealth utilisation footprint on wider natural wealth, and, how are the global economic institutions acting to ration use of these resources?



# Science and 'produced wealth'

**Concepts: Agricultural chemo-technology and mechanisation. Agricultural bio-technology. Non-agricultural use of produced wealth and rural industrialisation**

Produced wealth consists of all the equipment, machinery and stocks of goods that enable human societies to increase the productivity of human labour and carry the value of that production into the future. The last 200 years have been dominated by the search for profit and this is intimately linked with the control of produced wealth.

Technological change is embodied in produced wealth. In agriculture particularly, the application of science has produced great gains in yields per unit area through breeding, chemical interventions and mechanisation. But all these technological changes raise questions of sustainability. Breeding raises problems of decreased biodiversity and vulnerability to disease and other natural hazards. Chemical interventions raise problems of negative side-effects and eventual declining effectiveness. Mechanisation depends upon non-renewable resources and tends to displace local labour and damage rural livelihoods.

The negative effects of the Green Revolution technology packages of selected breeds, chemical inputs, and mechanisation on sustainability of ecologies and livelihoods are still being revealed. Indirect impacts, such as the depletion of water availability, are usually as critical as the direct impacts of the technology.

Many of the proponents of new technologies in agriculture claim that they are sustainable in that they increase agricultural production with little use of additional natural wealth, such as the need to clear forests for more land. One example is the use of information technology in

increasing the accuracy of input applications, thereby reducing economic and environmental costs. Another example is genetic engineering, which attempts to build greater productivity inside the living organism itself.

It could be argued that in genetic engineering, the science (and certainly the ethics) is lagging behind the technology. Widespread trans-genetic manipulation is technically possible, but the question of how this will affect processes of reproduction and the autonomous capacity in nature for natural selection and biodiversity is unknown.

Proponents of genetic engineering argue that it is merely a more effective means of plant and animal selective breeding. But many observers are already concerned about the impact of the monocultures associated with conventional selective breeding on biodiversity and consequent vulnerability to pests and disease. So, even if the new technology is more a quantitative than qualitative change – which is highly debatable – we should still be concerned from a scientific standpoint, even without the important ethical principles of how human beings should relate to other living things.

The impact on agriculture of genetic engineering will probably follow the same pattern as the Green Revolution. Larger farmers in more favoured areas are likely to reap the initial benefits, followed by an uneven diffusion to areas and farmers where the risks are greater. As with the Green Revolution, many areas and farmers will find the new biotechnology irrelevant to their potentials and needs. The new biotechnology will be marginal to, and marginalise for political purposes, many rural areas. The message will be that produced wealth should be concentrated where it is most profitable. This will then induce further technological innovation for these profitable areas and groups of producers. Research into forms of produced wealth appropriate for other areas and groups of producers will be neglected.

But, even with increased investment in biotechnology, the use of produced wealth in agriculture is overshadowed by its use in non-

agricultural, urban activities. Here produced wealth mainly takes the form of factories, offices and shops, and their machinery, equipment and stocks. Produced wealth in large-scale manufacturing is the most controversial form of wealth in terms of its benefits to sustainable human livelihoods and ecologies.

Promoting rural industrialisation continues to attract interest as a potential contributor to sustainable rural livelihoods. It is clear that rural populations need manufactured products to improve their quality of life. It is technically possible to use produced wealth locally to provide those products. But there is an economic problem in that a population with a sufficiently high effective demand to purchase locally manufactured products will also create demand to purchase externally manufactured products. Using produced wealth for rural industrialisation is therefore a great economic challenge in a market system in terms of simple financial sustainability.

One of the dangers of placing too great an emphasis on hingeing development on produced wealth is that the branch-plant nature of much large scale industry means that the promise of non-agricultural employment in state of the art factories can evaporate virtually overnight. An expensive infrastructure of produced wealth in a rural area constructed to service foreign direct investment can then become redundant. This could leave the area with inappropriate, non-maintainable hardware and non-repayable debts.

International experience indicates that in areas where agricultural production is increasing, some rural small-scale industrialisation will be induced. However, in areas where agricultural production is growing slowly it is much more difficult to diversify rural economies. The use of produced wealth will only be justified if a number of criteria are met:

- Where workers can be given employment in small, technically appropriate plants, without the need for formal training and with flexible working arrangements (in order to minimise costs, maximise access to employment, and minimise competition with peak agricultural employment and child care);

- Where the setting up and running of the plant requires little direct foreign exchange investment;
- Where there is a relatively small rural catchment area population which could create a sustainable demand for the plant's output. This would decrease risks of under-capacity working;
- Where there are few infrastructure requirements in terms of energy, water, transport, and waste disposal;
- Where the plant's success would not be too closely linked to agriculture, thus ensuring physical and economic sustainability despite any unexpected fluctuations in agricultural output;
- Where the industry could ensure positive nutritional benefits by increasing staple food production; food crop variety and food availability in 'hungry' seasons through improved storage and processing; improving health and thus the ability to utilise food intake; and/or increasing the time, energy and resources available to prepare food and care for children.

These criteria can be used to draw up a shorter list of the most promising, 'best bets' for rural-based industry.

There is an important role for global economic institutions in transferring produced wealth towards poorer rural societies. Left to themselves, market forces tend to extract other forms of wealth from rural societies for the production of produced wealth elsewhere. The attempt to introduce a global Multilateral Agreement on Investment (MAI) in the mid-1990s was met by popular resistance mainly because it threatened to increase the power of Transnational Corporations (TNCs) to allocate produced wealth as they thought fit. This would have further undermined the rights of local people and their representatives to choose the terms on which owners of produced wealth enter their economies. Despite the success of this resistance to the MAI, much global produced

wealth is still being allocated by TNCs and little reaches rural people to compensate for their loss of other forms of wealth.

**Questions for investigation, discussion and action**

- a. What has been the experience of technology change in agriculture in your area and would bio-engineering be different?
- b. How physically and economically footloose is the produced wealth being used in your area?
- c. What are your area's rural industrialisation 'best bets' and what demands would they make on produced wealth and the global economic institutions?



# Economics and 'human wealth'

**Concepts: Human lives as means and ends of development. Structural Adjustment, liberalisation and human capital. Human Resource Development Planning. The complex interaction of market and institutional forces in the development and use of human wealth and the need for planning with humility**

People are both the means and the end of development. Each person has aspirations for a better life and is aware of obstacles to achieving that life through their own efforts. Development itself can be defined as the process of a group of people moving towards their shared cultural aspirations for a higher quality of life by removing constraints through the use of their own resources, especially their capacity to work.

Using people's resources without meeting their aspirations is exploitation, and fails to achieve development. Meeting people's aspirations without using their resources is welfare, and is a failure to achieve development by sustainable means.

Enhancing people's productive capacities almost always improves their quality of life and therefore helps achieve development. It is this capacity to be both the means and the end of development that makes human wealth such a central, though elusive, concept in the development debate.

Human wealth can be enhanced through increasing people's access to resources by activities in the following fields:

- education – from pre-schools to training for specific high level skills
- health – from clean drinking water to advanced surgery
- nutrition – from encouraging breast-feeding to micro-nutrient dosing
- technology – from improved stoves to micro-computers

- employment – being employed offers learning experiences which improve productive potential

In the 1980s, Structural Adjustment strategies advocated the view that market forces would achieve these goals globally and locally with little government activity outside primary education and simple preventative health measures.

But since the end of the 1980s and into the 1990s, there has been a re-emergence of the view that open market forces can reduce quality of life and fail to fulfil human wealth potential for many people. There is more consensus in this area than in any other at the moment, offering opportunities and resources for significant initiatives and experimentation in developing human wealth.

If the agricultural system is marginal and/or the demand for labour is strongly seasonal, then considerable amounts of human wealth may be underutilised in rural areas. Also incomes may be low (income underemployment) and people may readily acknowledge the need for some additional, productive employment. Everyone may have full-time work for some of the year, but have less work than they would prefer at other times. In that sense their labour is partially absorbed in agriculture and may be difficult to release for conventional full-time, permanent employment; though migration in a variety of forms will be part of survival strategies.

In such circumstances, people will seek to use their time productively in non-agricultural activities – often locally and at the household level. The opportunities for labour absorption in such activities have been found to depend strongly on the dynamism of agriculture itself (see previous section).

Underemployment is not just a rural phenomenon for those with little education. It is also felt by many people in urban areas with educational qualifications. Self-employment is a way of absorbing such labour and much effort has gone into identifying the constraints on the development of such enterprises. A package of credit, technical and



management training, making technology available, and marketing assistance is often recommended to increase labour absorption in this informal sector. The role of government is seen as enabling such activities. Activity licensing and land-use regulations can be adapted to promote the development of self-employment and micro-scale activities.

Economists have debated the development of human wealth from two standpoints in the past 20 years. There are those who believe technologies tend to be inflexible in their demands for skills and that market signals fail to guide people into the occupations that society will need in the future. These economists tend to support state-led Human Resource Requirements Planning. In this type of planning, education and training are coordinated to ensure there are enough qualified people to fill future positions appropriate to a socially planned combination of technology and desires.

Their critics argue from a Labour Market Analysis standpoint that markets generally do not fail and a combination of technology and desires will be found through market forces. Different wage rates encourage individuals to change occupations and train for highly rewarded, and hence socially valuable, occupations. Structural Adjustment is based on this optimistic belief in market outcomes.

In their pure forms, neither of these positions describes the complex manner in which human wealth is developed and allocated. Human Resource Requirements Planning offers an appearance of certainty which has proved elusive; Labour Market Analysis offers the appearance of choice which has proved uneven. Both end up satisfying only minorities of people.

Given the weaknesses of both pure forms, the challenge for the development of human wealth for sustainable rural livelihoods is to satisfy basic needs for all and build paths of opportunity that can fit into local and more distant economies. Occupational mobility and migration are facts of life in many rural economies and many rural livelihoods are not sustainable without migration and remittances. The analysis of sustainable rural livelihoods in most areas of the world must

involve mapping how and where the population's human wealth is allocated and whether it is being developed and fairly rewarded wherever it is used.

There is a case for local, regional and global labour standards to prevent degradation of human wealth in the pursuit of produced wealth. But those standards need to be negotiated with all the workers affected to provide everyone with an acceptable mix of mobility and security.

**Questions for investigation, discussion and action**

- a. How are human capabilities being developed in your rural area and what capabilities are being neglected and/or exploited?
- b. How far can people in your rural area find the means to develop and express their human wealth through market forces?
- c. What is the experience of human resource development in your area, what guiding principles for such planning do or should operate, and what has been the role of global economic institutions in this development?



# Civil society and 'social wealth'

**Concepts: Civil society and social wealth. Cultural and political globalisation versus local value systems. Trust, confidence and uncertainty. Governance, participation, inclusion and NGOs/CBOs**

Rural life frequently demands ways of coping with uncertainties, whether natural or man-made. In the face of all the vagaries that the environment can produce, rural people have had to develop, with minimal assistance from outsiders, cultures which combine trust and discipline with flexibility.

For these reasons, rural societies have rich histories of strong civil society institutions. Civil society is seen in the local relationships that constitute community life, independent of markets and government. The stronger these relationships, the more social wealth the locality possesses. Social wealth can be used to increase human capital through ensuring social inclusion of all capabilities. Social wealth can also be used to conserve the environment by ensuring there are collectively developed and accepted rules for sustainable use.

Not all rural societies possess strong social wealth. Even where strong social wealth exists, it is not necessarily used positively for social inclusion and environmental sustainability. But where there is positive strength, there is vital potential for sustainable rural development.

Until relatively recently, the politics of neo-liberalist individualism, with its contempt for more collective rural values, have overshadowed the value of strengthening local civil society. But in the past decade, concerns about social exclusion and environmental degradation and the weakness of governments undermined by Structural Adjustment have combined to encourage the search for ideas and resources in civil society.

The challenge now is to promote government policies that complement, augment, and sustain that social wealth. To achieve this requires a society in which citizens can fully participate in civil society and state institutions, and a government which can help to reduce and redistribute uncertainty and insecurity.

Many rural localities still possess a basis for such a healthy civil society, but forces of cultural globalisation, the economics of markets, as well as the formal politics of the state, all threaten to stifle civil society. The imposition of market forces by global economic institutions is a major force in closing down the space for a truly autonomous civil society.

Much development effort has gone into strengthening civil society organisations. These organisations span a wide range from community-based membership organisations (CBOs) to large non-governmental organisations (NGOs) with many formal employees. Approaches such as Participatory Learning and Action (PLA), can help to identify and strengthen the social capital already present in rural communities.

However, there is always a danger that formalising civil society institutions will produce more organisations little different from commercial companies or government agencies. This could weaken the very social wealth that the aim is to strengthen. The history of the co-operative movement is full of examples of capture by market and formal political forces. Civil society is institutionally delicate and can be undermined if either markets or government (or heavy handed NGOs) attempt to subvert its institutions to serve their particular interests.

The challenge for global economic institutions is to understand the culture constituting local civil society and the strength of its social wealth. From that basis its ability to include the most vulnerable, and to develop their capabilities and to sustain the physical environment, can be strengthened.

### **Questions for investigation, discussion and action**

- a. How would you describe the distinctive values and institutions that constitute civil society in your rural area?
- b. Is social wealth in terms of mutual trust and confidence and low levels of insecurity and uncertainty strong among various groups in your rural area and does this social wealth produce overall positive sustainable development results?
- c. How far are global economic institutions working with civil society institutions and creating or undermining social wealth in your rural area?



# Options for larger landholders

**Concepts:** The control of land and the importance of choices of those with room for manoeuvre in agriculture. Constraints, motivations and aspirations and the implications for rural environments and livelihoods

The ways in which land is controlled locally vary greatly. However, global pressures are towards land becoming a commodity which can be easily bought and sold by individuals with clear ownership titles.

Entitlement to land and its produce often have deep cultural roots. Variations can include restrictions on access to land on the basis of gender and ethnicity, common property and other sharing relationships, and crude uses of corruption and violence. Understanding how natural resources are controlled in practice is important for assessing who is really responsible for affecting human well-being and the physical environment.

It is usually possible to identify an elite with disproportionate control over land and the wider natural resource base. The degree of inequality can vary widely, but it would be common to find that less than 20 percent of households control more than 50 percent of the land in a locality. This is before productive quality of land, in terms of soil fertility and access to water, is taken into account. In most societies, substantial land redistribution away from this elite through political action is very unlikely in the foreseeable future.

The decisions that this elite make about land use influence many of the rural processes of change, both economic and ecological. By ignoring larger landholders, sustainable rural development is ignoring much of the physical (and political) environment in rural areas. Land use changes induce changes in employment opportunities in agriculture and local non-agricultural activities.

From a positive point of view, the demonstration effects of larger farmers' choices of technology and marketing innovations are highly influential on their smaller neighbours. Those who can afford greater risk and uncertainty can afford to experiment, and diffusion will result from successes, though rarely with equal benefits. The relationships between the elite and the wider rural population can therefore be positive and symbiotic in some activities in some localities.

However, from a negative point of view, control of land is the basis for control of people. Landless rural people can be tied into combinations of share-cropping, debt, merchanting, and labouring relationships where they are exploited economically, culturally and politically. The usual outcome is that larger landholders cannot only act with impunity, but can also recruit government agencies to protect their interests and ensure that their dominance is maintained.

In general, the land controlling elite have shown tendencies to loosen ties to day-to-day rural life. If social wealth and ties to the community are strong, their role in rural life can be demanding in terms of responsibilities and obligations. If social wealth is weaker, their property and lives could be at risk from their poorer, aggrieved neighbours and employees.

The separation of control over land from local social relationships can also occur through urban and international interests gaining control over land. Corporate control over land is unlikely to be conducive to sustainable rural development. The pursuit of relatively short-term profit is likely to be a growing factor shaping land use. Choices of outputs and technology are less likely to reflect the needs of local people or the local physical environment. Agriculture moves in the direction of becoming an extractive industry with land generally being mined unsustainably (literally in some cases).

Such processes are encouraged by the globalisation of agriculture through the policy pressures from multilateral agencies and agreements such as the IMF, the World Bank, the GATT Rounds, and now the WTO. Internally, Structural Adjustment policies decrease subsidies

which increases economic pressures even if they have ecological benefits. The pressures on larger landholders to accept open market forces are intense, especially in economies with high levels of external debt.

The consequent pursuit of non-local markets, especially export markets, puts pressure on land use to achieve higher volumes and higher quality of produce. Consolidation of land-holding and mechanisation become attractive options in the effort to meet both quantity and quality targets for export contracts. Both put strains on the quality of rural life for everyone and the whole ecosystem. Income distribution mechanisms have to be unusually egalitarian if many rural people are not to be marginalised in these processes of change. And the ecosystem would have to be especially robust not to suffer from increasing and irreversible degradation.

The balance of all these arguments do suggest that little can be expected from the more landed in terms of sustainable rural development. But there are forces at work in many rural areas that may shift this balance locally and even nationally – though probably not globally.

Larger landholders may be locked into agriculture by a limited market for land and/or lack of comparable non-agricultural opportunities – or perhaps by a strong cultural or skill attachment to the land. Also many landholders, although relatively large, are not rich in terms of total wealth and do not have easy alternative options. Such landholders are often facing immediate environmental stresses. Declining watertables and poisoned (through salinity or applied chemicals), waterlogged and eroded soils are increasingly common experiences. Economic survival requires responses which decrease physical damage, with benefits for the wider environment.

In addition, the prospect of being forced to purchase purposefully sterilised seeds from transnational corporations is an unattractive prospect. Intellectual Property Rights extended to life forms have practical meaning for farmers – larger farmers will often know how powerful control over seed can be from their own experience of being seed providers to poorer neighbours.



Farmers' movements, led by larger farmers, may gain momentum as a result of these pressures. Whilst their demands are likely to be dominated by their own economic interests, and therefore of dubious value to ecological and rural livelihoods (such as cheap fuel for irrigation pumps and other machinery, subsidies on other inputs, minimum prices for outputs, and large irrigation schemes); wider demands may have some livelihood possibilities, such as better rural infrastructure and protection against imports produced under unsustainable ecological and human livelihood conditions.

With some pressure from other groups of rural people, such movements could embrace wider sustainability, despite being marginal to the interests of larger farmers. Larger landholders are at the front-line as pressures grow on both the ecological and political bases of their very survival. Whilst many will try to take short-term gains and run, some will perceive the deep irrationality of the processes damaging the whole of their immediate rural and wider global society. The challenge for global economic institutions is to recognise farmers' movements and their spokespeople as complex political phenomena and not simply select those aspects that support open market forces.

#### **Questions for investigation, discussion and action**

- a. What are the current experiences of larger landholders in your rural area and how are they thinking about sustainability and globalisation and the global economic institutions?
- b. How do larger landholders in your rural area relate to the wider rural society in positive and negative ways?
- c. What are the prospects in your society for a farmers' movement led by the interests of larger landholders incorporating sustainable rural development goals?



# Options for those with little or no land

**Concepts: Patterns of employment and underemployment for livelihoods based on agricultural labour. Diversification of livelihoods, including the ambiguous role of migration. Social exclusion and access to productive resources, including savings/credit schemes.**

Whilst there is considerable underemployment of people in rural economies, it is important to recognise that tapping into this resource requires a subtle understanding of how people already move between activities in order to generate income. Assuming that large numbers of people are idle or available for casual work could threaten survival strategies which depend on people being available for specific labour peaks.

The issue of underemployment in terms of earnings failing to meet people's consumption aspirations and/or job satisfaction is even more complex. Studies of movements between self- and wage-employment in agriculture and between non-agricultural, informal sector activities and food-for-work public works do suggest that choices are made on the basis of relatively small differences in income. This indicates a healthy dissatisfaction with the generally low wage rates in rural economies.

Amongst the more educated there is a preference towards clerical jobs, leaving places on artisan training programmes unfilled if the entrance requirement is a given number of years' schooling. This tends to restrict the pool of educated people willing to acquire technical skills.

It is important to look inside households, as 'unpaid family workers', especially outside agriculture, may be the most underemployed in terms of time, productivity and aspirations. But care must be taken in assessing how far these people are underemployed, not only in terms of

time, but also in terms of productivity and aspirations – and the degree to which those aspirations are realistic.

The agricultural and non-agricultural sectors appear to be often complementary rather than competitive in terms of their demands on labour time. Wide ranges of non-agricultural activities appear to be undertaken in agricultural slack periods alongside food-for-work public works.

The dynamism and mobility of people in the 'informal' sector in both rural and urban areas have been a feature of the development debate for more than 20 years. Rural people have maintained low levels of formal unemployment by showing a great capacity for the creation of income opportunities with little or no capital investment. Trade and personal services dominate such efforts, followed by micro-scale construction, transportation and some manufacturing.

This positive image of poorer rural people's dynamism is important. But the constraints they face are often very severe. Under such constraints, choices can become more ambiguous in terms of the sustainability of livelihoods. Five types of choices can be identified:

- *Work-sharing*: the high prevalence of unpaid family labour allows opportunities for work sharing. This will not reduce the amount of time unemployment but will mitigate its impact, providing security against starvation. However income underemployment and chronic poverty remain serious problems
- *Involution*: beyond simple work-sharing, some economic activities may allow changes in techniques that give small increases in total production from the application of more labour. Rice growing in Indonesia is a frequently quoted example. Involution can be seen as a process of turning inwards in terms of innovation and using significant additional human wealth and a little produced wealth on a relatively fixed amount of natural wealth to increase production marginally.

- *Discouraged withdrawal:* some people develop low aspirations in the face of widespread time unemployment, and will declare themselves unavailable for economic activity. In much of the world, discouraged withdrawal is likely to fall heavily on women. An active demand for their labour is important for women to increase their participation in the labour force.
- *Asset selling:* some people may be able to raise resources by selling assets. This may allow them to withdraw from the deteriorating labour market. However, this is likely only to postpone declarations of time underemployment, especially in the case of distress sales, and produce further concentrations in wealth.
- *Migration:* not all people migrate from desperation, but many poorer rural people do. Migration is a very complex phenomenon in terms of its spatial, temporal and occupational characteristics. But the implications for both source and destination areas in terms of changes in patterns of the other forms of wealth are likely to be damaging in one or other or both areas.

None of the above responses is likely to result in environmental improvement, and they can often increase pressure on vulnerable rural and urban ecologies. Because the rural poor tend to be excluded from vital decisions and resources, they have little choice in their responses. This issue is receiving widespread attention in the debates on better governance and targeted credit/saving schemes. But many of these efforts are still driven from outside by criteria not shared with the rural poor themselves. The assumption is that market-driven gains will eventually trickle-down to them.

A sustainable rural development strategy for global economic institutions should be based on an understanding of how poorer rural people actively seek to improve their livelihoods and should support those activities that have lower environmental cost.

### **Questions for investigation, discussion and action**

- a. What have participatory methods in your rural area revealed about the complex patterns of livelihoods and aspirations among poorer people?
- b. How are livelihood searches by poorer people frustrated in your rural area, who benefits from these processes and how might they be made to accept the costs of their actions to rural poorer people?
- c. Have global economic institutions supported credit and public works schemes in your rural area and how have they impacted on the lives of the poor in terms of their preferred livelihood patterns and ecological sustainability?



# Conclusion

This 'think piece' has sought to identify fundamental principles that can guide the global search for sustainable rural development anywhere in the world today. These principles suggest that the global economic institutions that have been created to regulate the global economic system are part of the problem of sustainable rural development. They will need to be reformed if they are to become part of the solution.

The International Monetary Fund, the World Bank, and the World Trade Organisation have all come into being under the assumption that open markets will reduce poverty and environmental degradation. Whilst theoretically this may appear logical, the practical evidence in many rural areas is that both poverty and environmental degradation can increase with the greater freedom of market forces. There is no easy alternative for the global economic institutions, but starting from rigorous analysis of local situations is a step towards creating an alternative, or alternatives. An approach which embraces diversity is a key to sustainable rural development, rather than a universal fixed formula.

## Endnotes

<sup>1</sup> The Policies that Work definition of sustainable agriculture:  
Sustainable Agriculture incorporates biological processes such as nutrient cycling and pest-predator relationships.  
Optimises the use of external and non-renewable inputs  
Encourages full participation of producers and consumers in problem solving and innovation  
Ensures more equitable access to entitlements  
Makes full use of local knowledge  
Diversifies the production system  
Increases self-reliance  
Has strong links to the local economy  
*Source: p9, 2nd International Workshop, HED, 1998*

<sup>2</sup> Section 2 of this paper describes how the World Trade Organisation was created in 1995 on similar principles.

<sup>3</sup> The term 'capital' is frequently used in the literature rather than 'wealth'. But the association of 'capital' with individualistic profit-seeking rightly feels uncomfortable to many people. Wealth is used here to signal an attitude to development that can be more sharing and allow a less aggressive approach to human presence in the world (as in a 'wealth of experience' and a 'wealth of affection').

## Selected annotated bibliography

This paper is meant to assist thought and reflection rather than encourage further reading. Therefore, the references included in this selected annotated bibliography are limited to those which provide some general overviews to many of the concepts introduced in the paper, and which avoid specific disciplinary and/or regional perspectives.

Auty, R.M and Brown, K (eds) (1997) *Approaches to Sustainable Development*, Pinter, London and Washington  
*A wide-ranging multi-disciplinary collection on sustainability thinking with case-studies from many parts of the world.*

**CIIR (1994)** *The GATT Agreement on Agriculture: Will it Help*

Developing Countries, Catholic Institute for International Relations,  
London

*One of numerous NGO publications critically examining the implications of the last GATT round from the perspective of the South. Many countries have their own, excellent, similar publications. This publication has the advantage of bringing together commentators from Africa, Asia, the Caribbean, and, Latin America with INGO and EU representatives.*

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*The path-breaking book that gave expression to growing doubts about the impact of Structural Adjustment and liberalisation in the mid-1980s. The book's argument is based on the assumption that no rational person would consciously damage future prospects for development by damaging today's children. It therefore challenges the global financial institutions to take account of such damage in Structural Adjustment packages. Implies this reflection should result in more than "add-on safety nets" which have been the immediate response of the global financial institutions to this type of criticism.*

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*An up to date account of the global economy and its economic institutions, including the World Trade Organisation from a Southern critical perspective. Includes an epilogue on the East Asia crisis.*

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- World Bank (1999) *Global Commodity Markets*, World Bank, Washington D.C  
*The quarterly publication from the World Bank which reports on primary commodity markets – and statistically reveals the problems of economic dependence on primary commodities.*
- World Development (1989) *Special-Issue on the New Institutional Economics*  
*A major acknowledgement that the New Institutional Economics was a coming force in the development debate, though some of the articles seek to accommodate the NIE approach with neo-liberal principles.*

## Trivial Pursuits? Reconciling sustainable rural development and the global economic institutions

This paper reviews attempts to integrate the concept of sustainable rural development into the thinking of the global economic institutions (for example the World Bank and the IMF) and global policymakers. What does the concept mean at the local level, and what is understood at the international level? Is there any common ground? What role do the global economic institutions play in the process of developing and implementing the concept?

The paper starts by attempting to build a framework for analysing rural change, before introducing discussions surrounding different forms of wealth and options for rural landholders. 'Trivial Pursuits?' looks at key assumptions behind development and the creation of global economic institutions in the last fifty years, leading to structural adjustment and adjustment with a human face as well as New Institutional Economics (NIE). It then examines the institutions themselves, and their strengths and weaknesses. The following sections cover a variety of perspectives including ecological change, science and technology, economics, civil society, and small and large landholders. The paper tracks the basic concepts, processes and current state of thinking, within and without the global economic institutions, around sustainable rural development, from these diverse perspectives, and the ways in which they can be linked to improve levels of human degradation and environmental degradation.

## Policies that work for sustainable agriculture and regenerating rural economies series

There are enough examples worldwide to suggest that agriculture which is pro-sustainability and pro-people is working. We now understand the concept of sustainable agriculture is not confined within the farm boundary, but has a global and a potential to be a dynamic force within a wider rural economy so sustainable agriculture not only contributes to greater agricultural production, but also environmental regeneration and local economic development.

IIED's Sustainable Agriculture and Rural Livelihoods Programme has undertaken collaborative research to look at 'Policies that work for sustainable agriculture and regenerating rural economies'. The overall objective of this research is to understand the policy context and instruments that can promote sustainable agriculture and social change. This has been done in high, medium and low income countries in both South and North. Success stories have been identified and the policy environment they has permitted these to emerge has been investigated. As there lessons we can learn from these islands of sustainability that will help us turn islands into continents.

This paper is one of a series which provide the contextual and conceptual background to this programme of research.

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