CHAPTER 3
EVOLUTION OF LIVELIHOOD BASED DEVELOPMENT
PHILOSOPHY

Adam Smith had long ago asserted in his *Wealth of Nations* that the division of labour is limited by the extent of the market. Young reinterpreted Smith’s proposition and argued that inducement to invest is limited by the size of the market. The underdeveloped tribal societies suffer from shortage of purchasing power and, as a consequence their domestic markets are limited. Since the demand for various consumer goods and services remains generally small, it is but natural that the demand for capital is also small. However, shortage of purchasing power here does not mean purchasing power in terms of money as such. In other words, it is the shortage in the real purchasing power due to low level of productivity which cannot be increased merely by expanding the quantity of money. If the demand is to be augmented, or if the market is to be expanded, the supply of goods and services must be increased. Among these ideas, the notion of rural development has proved particularly pervasive in the development of economic models.
Rural development has always been central to the development theories. Emphasising various themes in rural development, economists through time have sought to put forward deemed rural development ideas. These ideas are manifested in sequential phases in rural development practice occurring as a series of overlapping transitions (Ellis & Biggs, 2001):

- From community development (1950s) to the emphasis on small-farm growth (1960s).
- Continuing small-farm growth within integrated rural development (1970s).
- From state led rural development (1970s) to market led liberalisation: Process, participation, empowerment and actor approaches (1980s and early 1990s).
- Emergence of sustainable livelihoods as an integrating framework (1990s) to mainstreaming rural development in poverty reduction strategy papers (2000s).

3.1.1 DUALISM AND SMALL-FARM GROWTH

In the 1950’s, most of the writings on development economics focussed on factor, product and market contributions of agriculture towards the overall development of
the economy. Moreover, in the early part of the decade, development economics was embodied in the dual economy theory models.

It was social dualism as propounded by J.H. Boeke, characterising an economic society by the social spirit, the organisational forms and the technique dominating it which brought out the dualistic nature of the societies, thereby, giving space to dualism in development economics. The characteristics which according to Boeke marked a dual economy were:

(a) There is overriding importance of social needs. It is not the economic usefulness of the goods, or the individual services they render their possessor which determine the value of the goods in dual societies. Rather it is their worth in the eyes of the society that sets their standard. This social character of needs is due to the comparatively primitive character of the society.

(b) In these dual economies, human needs are very much limited, which is connected with the limited development of exchange. Needs being modest in quantity and quality, economic motivation to produce more either does not exist or is very weak in these societies leading to a low level of economic activity. Majority of producers and consumers provide for themselves, uninfluenced by price and market. Their need for money is therefore only complementary, and stays outside the normal production process. There is hence 'double limitedness' in terms of lack of wants and limited need for money giving rise to backward sloping supply curves of effort and risk taking.
(c) An accent on self-sufficiency being inherent in these economies, they feel strangers to basic forms of exchange like business and profession. In dual economies, the production does not aim primarily at profit making but at satisfying personal needs.

(d) The economic concept of income does not qualify in these societies. Money income generated at regular intervals as a result of exchange in these dual societies, or food crops grown for the maintenance of the household cannot be termed “income” in the economic sense because there is neither any price basis, nor any basis for determining the costs of production.

Boeke, therefore, observed that dualism being an irretrievable fact, no one policy can hold for the entire country and that what is beneficial for one section of society may be harmful for the other.

John C.H. Fei and Gustav Ranis on the other hand went on to consider a labour surplus economy and defined two sectors - a large primitive agricultural sector co-existing with a small but growing industrial sector. The importance of contiguity or connectedness between the agricultural and industrial sectors of a dualistic economy till then had not been given its due importance. If the owner of the surplus could invest directly in an extension of the industrial sector close to the soil and in familiar surroundings, he is much more likely to choose the productivity out of which further savings can be channelised. The experience of the nineteenth century Japan indicated that such intersectoral ‘connectedness’ is much enhanced by the growth of decentralized rural industry, often linked with large-scale production stages. In such a dualistic setting, the heart of the development problem lies in gradual shifting of
the centre of gravity of the economy from the agricultural to the industrial sector. In other words, the vital function of the agricultural sector in the dualistic economy is performed when the released agricultural worker fed by the agricultural surplus is enabled to create new output in the industrial sector. Moreover, the total agricultural surplus (TAS) generated in the primary sector provides the thrust in the secondary sector. Thus, agriculture served as the primary basis for the expansion of the economy in the Fei-Ranis model. Larger the total agricultural surplus (TAS) and larger the proportion of it that is directed to productive industrial investment, higher is the rate of growth in a dualistic economy.

Underdeveloped economies of today, are therefore, characterised by a dualistic economic structure – a modern money economy existing side by side with a traditional primitive economy. According to these dualistic models, the subsistence sector possesses negligible prospects for rising productivity and therefore growth. Because of the presence of economies of scale in agriculture, it can play only a passive role in the process of economic development, supplying resources to the large scale modern agriculture in addition to manufacturing industries of the economy, until the latter expands to take its place (Misra and Puri, 1999).

A 'first paradigm' shift in rural development occurred in the early to mid 1960s, when contrary to the theories of dualism, small farm agriculture began to be considered the engine of growth and development. The contribution of T.W. Schultz's *Transforming Traditional Agriculture* (published in 1964) and J.W. Mellor's *The Economics of Agricultural Development* (published in 1966) towards this idea was immense. It begins with the idea that agriculture plays a key role in
over all economic growth by providing labour, capital, food, foreign exchange and a market in consumer goods for the nascent industrial sector in low income economies (Soni, 1998). Rising agricultural productivity stimulates demand for non-farm input-services to agriculture, as well as creating an internal consumer market for industrial goods resulting in ‘rural growth linkages’ that spur the growth of labour intensive non-farm activities in rural areas (Johnston and Kilby, 1975; Mellor, 1976).

Though both growth and equity goals appear satisfied simultaneously via the emphasis on small-farm agriculture, it is not without felicitous outcomes. Much of the small-farm theory rests on the rural poor being poor landless farmers. However, the small farm paradigm counters such doubts by stating that even the landless poor gain by being employed in a buoyant labour-intensive small farm sector. Whether this remains an acceptable premise in the light of emerging evidence that the poor tend to depend on non-farm (and often non-rural sources of income) in order to sustain their livelihoods is a key issue (Ellis, 1998). Again, evidence shows that with rise in wage income, there is rise in consumer goods demand leading to capital investment in the consumer goods sector which is again urban centric with higher wage differential. So, there is out migration from rural to urban areas and rural development takes place in urban areas.
3.1.2 INTEGRATED RURAL DEVELOPMENT: FROM THEORETICAL FRAMEWORK TO ACTION PLANS

In the 1970s it was felt that the trickle-down development paradigm of the 1960s failed to achieve progress in the rural areas to bring about the desired development. Therefore, the third phase was marked by roles played by the World Bank in bringing in redistribution with growth. There was hence a shift from theoretical framework to action plans. In this phase, budget priorities shifted somewhat to the social investments required by integrated rural development programmes which were important development interventions applied in the Third World in the 1970s. World Bank’s policy dictated integrated rural development as:

A strategy designed to improve the economic and social life of a specific group of people — the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in rural areas. A strategy of rural development must recognize three points. Firstly, the rate of transfer of people out of low productivity agriculture into more rewarding pursuits has been slow. ... Secondly, their position is likely to get worse if population expands at unprecedented rates. ... Thirdly, rural areas have labour, land and at least some capital which, if mobilised, could reduce poverty and improve the quality of life... [Rural development] is clearly designed to increase production and raise productivity. It is concerned with the monetisation and modernisation of society, and with its transition from traditional
isolation to integration with the national economy' (World Bank, 1975).

Therefore, though differing perspectives have been noted in defining and articulating the concept of integrated rural development (Cohen 1987; Lele 1975), the following can be summarised as the key issues:

➢ Rural development problems and issues are diverse and have multiple causes.

➢ A number of development projects and activities need to be implemented to address the diverse issues of rural well-being. This can be achieved through special single programmes that meet the needs of specific groups of areas, or a total package of activities.

➢ Integrated rural development projects should emphasise the goal of simultaneity and relatedness.

➢ The projects should bring about permanent change, and they should be implemented in a long-term framework.

➢ The projects should have forward and backward links with the rest of the space economy in which they are located.

➢ A number of institutions are involved: national line ministries, sub-national government bodies (e.g., local authorities), project management units and private voluntary organisations or non-governmental organisations.
The projects should aim at promoting popular participation, access to resources, increased production and fair income distribution, i.e., promote both growth and equity objectives.

The projects should be area-specific and aim at spatial integration, i.e., they should be focused on the developmental needs and problems in a given area.

An integrated development approach is, therefore, based on the assumption that mass poverty is a result of multi-causal and interdependent factors. The integrating factors in such an approach are both the problems of people or communities in a specific area and their potential for solutions. The integrated rural development model was, therefore, based on a holistic problem and potential analysis at community level. This model aimed at combining sectoral activities in such a way that synergetic effects are achieved. In brief, the integrated rural development strategy attempted to consider the totality of a region's development and advocated for comprehensive and co-ordinated development programmes if far-reaching and long-lasting benefits are to be achieved (Cohen 1987).

Among the notable proposals and identification of the need for integrated rural development were recommendations by Ford Foundation specialists who, in response to the 1966 Indian Famine, argued that intensive integrated efforts were needed to stimulate India's agricultural sector. These specialists suggested a ten-point programme for achieving this goal. The ten points revolved around accessibility to inputs and markets, education, viable village institutions and co-ordination (Cohen, 1987). Examples of the activities and components of an integrated rural development strategy which aimed at increasing agricultural productivity are:
a) Markets for farm products

b) Technology

c) Local availability of supplies and equipment

d) Improving and expanding agricultural land

e) National planning for agricultural development

In addition to agricultural activities, other activities that were identified include rural public works, education, health family planning, energy and industry. Thus, from an initial emphasis on agricultural development (small-scale agriculture), the development activities of rural areas were expanded to include the social sector as well as the industrial sector.

The integrated rural development model looked promising and provided the operational framework for intervention. This partly explains why a number of integrated development projects were initiated, among the well known in the 1960s being the Puebla Project in Mexico (1967), the Chilalo Project in Ethiopia (1968), the Lilongwe Project in Malawi (1968) and the Vihiga Project in Kenya (1970).

Under the right conditions appropriately designed, integrated rural development projects can play an important role in bringing development to small-scale farmers and their regions (Cohen, 1987). Thus an integrated rural development approach had promise for improving a region's wellbeing if the underlying theoretical and practical issues were carefully attended to.
Planning relies upon and proceeds through, various practices regarded as rational or objective, but which are in fact highly ideological and political. Programmes such as integrated rural development were pursued in this light. Institutional practices such as project planning and implementation though give the impression that policy is the result of discrete, rational acts, in fact they are a process of coming to terms with conflicting interests, a process in which choices are made, exclusions effected, and worldviews imposed (World Bank, 1975). Hence in the era of structural adjustment, public sector institutions were trimmed and budgets cut.

The switch over which occurred in 1980s and 1990s was from the top-down or ‘blueprint approach’ to rural development, characterised by external technologies and national level policies, to the bottom up, grassroots or process approach (in Davies, 1998). This envisages rural development as a participatory process that empowers rural dwellers to take control of their own priorities for change. Some key strands in this period were (Ellis & Biggs, 2001):

(i) Structural adjustment and market liberalisation beginning in the early 1980s leading to the withdrawal of governments of previous large scale management of the agricultural sector.

(ii) The rise of the participatory method, originating in rapid rural appraisal (RRA) in 1980s and evolving into participatory rural
appraisal (PRA) and participatory learning and action (PLA) during the 1990s (Chambers 1994 and 1997).

(iii) The advent of an actor-oriented perspective on rural policies emphasizing that participants in rural development, including the poor are actor with differing understandings of the process of change in which they are involved (Long and Long, 1992).

(iv) The advent of farming system research (FSR), and the growing argument that the Green Revolution in mono-crop farming systems, mainly in Asia, might not necessarily work for raising incomes in diverse risk prone and resource poor environments (Chambers et al., 1989).

(v) A growing acknowledgement of the validity of indigenous technical knowledge (ITK) and the ability of the poor themselves to contribute to solutions to the problems they confront (Richards, 1985).

(vi) The rise of NGOs as agents for rural development, occurring at the same time as and benefiting from, the decline in enthusiasm for big government.

(vii) Disenchantment with the performance of the government in delivery of rural services, leading donors to look for other partners.
The rejection of overarching theories as useful guide to action, arising in part from the post modern intellectual ideas, emphasising the uniqueness of local and individual ideas (Booth, 1994).

3.1.4 THE LIVELIHOODS APPROACH AND MAINSTREAMING RURAL DEVELOPMENT IN POVERTY REDUCTION STRATEGY PAPERS

The sustainable livelihoods (SL) approach developed by Carney and Scoones in 1998 is compatible with the bottom-up rural development approach. The asset vulnerability framework which is at the centre of the SL approach has significant economic antecedents in the food-security and famine analysis of Amartya Sen’s seminal work on famines published in 1981 and engages with the factors that make rural families vulnerable to shocks, and the policies and processes that can improve their resilience in the face of disaster. The livelihoods approach also draws on other approaches connected with the multiple realities of rural poverty in R. Chamber’s work Rural Development: Putting the Last First published in 1981.

The contribution made by livelihood diversification to rural livelihoods is significant and has often been ignored by policy makers who have chosen to focus their activities on agriculture (Ellis, 1998). Empirical research suggests that in reality, farming activities on average tend to correspond to only 40-60 per cent of the livelihood ‘package’ put together by rural households in South Asia and Sub-Saharan Africa. Nor do rural growth linkages explain the patterns of activity and income sources that correspond to the non-farm components of rural livelihoods. On the contrary, remittances and transfers are always important as are wages and salaries that have
little or nothing to do with agricultural linkages. The livelihoods approach embodies no prior requirement for the poor rural individual or family to be a 'small farmer'. It takes an open ended view of the combination of assets - natural, economic, physical, human and social, and activities - agriculture intensification, extensification, diversification and migration resulting in different outcomes that turn out to constitute a viable livelihood strategy for the rural family. Livelihood diversification, therefore, occurs at all levels of the rural economy, and that rural people's linkages with markets and urban centres are also important. An individual's level of involvement in this process is affected by location and wealth possessed, and it does not seem that many rural people are totally excluded from it (www.ossrea.net).

Hence, both push factors - environmental risk, falling incomes and pull factors - changing terms of trade, perceptions of improved opportunities may be involved in spurring on the process of livelihood diversification. And this process may become more important and more common in the future, although much of the evidence to say that this is already happening is anecdotal (Ellis, 1997).

As an antecedent to the livelihoods approach, today governments of few developing countries and donor organisations take a cross or multi-sectoral view of the possibilities of rural poverty reduction. Notwithstanding energetic assertions of the underfunding of agriculture (IFAD, 2001), the ground reality is that agriculture is preferred in the public funding of services to rural productive activity via research, extension, credit, seeds and so on. It therefore, provides an enabling environment for starting of non-farm activities and a host of other potential means by which the
options and opportunities of the rural poor can be expanded in their non-farm variety and range.

3.2 CONCLUSION

What follows is that if a new paradigm of rural development is to emerge a host of other actual and potential rural and non rural activities that are important to the construction of viable rural livelihoods have to emerge along with agriculture but without an overemphasis on farming as a unique solution to rural poverty. It is in this sense that the cross-sectoral and multi-occupational diversity of rural livelihoods is perhaps required for rural development policy, if ultimate objective of reducing rural poverty is to be effective in the future. Perhaps the most important clue the development theories provide to development planners is that policies will need to be context-specific and socially differentiated to ensure a strong pro-poor thrust.