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Illustrating the dogmas in rural development and how to resolve them

RURAL DEVELOPMENT

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The literature on development abounds in a variety of dilemmas and dogmas, such as rural versus urban development, agricultural versus industrial development, primacy of capital versus labor, and natural/autonomous versus induced/planned development. A brief critique of these dilemmas seems in order to clarify some of the issues.

Rural Versus Urban Development

Economic development in developed countries has been associated with growing urbanization, as reflected in the increasing proportion of the urban population. Hence, there is a tendency among economists to consider urbanization as an index of development. Growing urbanization is obviously the consequence of the growing concentration of infrastructural networks and capital-intensive industrial enterprises in urban centers. This type of concentration has resulted in the existence of what is known in the literature on the economics of development as “dualism” or coexistence of two separate economic subsystems in an economy, especially in many developing countries including India. On one hand, there exists in the economy a small but highly modern and developed urban subsector, which absorbs most of the material, financial, and educated and talented manpower resources. On the other hand, there is a very large but traditional and underdeveloped rural subsector, characterized by widespread poverty, unemployment and low productivity, which forms the majority of the population. In many developing countries, both the subsectors coexist, but without those linkages between them that were once the main factors that contributed to the development of today’s developed countries.

At the other extreme, there is another dogma rapidly emerging in many developing countries that rural development is a prerequisite for overall development and, hence, it deserves the highest priority in terms of allocation of resources. In their enthusiasm to promote the cause of rural development, the proponents of this school of thought usually tend to either disregard or underplay the linkages between the rural and the urban subsectors of the economy. What is needed is a new approach to development, which explicitly recognizes the interlinkages and complementarity between the rural and the urban subsectors, and provides for integrating them completely.

Agricultural Versus Industrial Development

Closely analogous to the rural versus urban development dilemma is the dogma that industrialization alone can modernize agriculture and thereby raise agricultural productivity and wage rates and provide employment to the labor displaced by the mechanization of agriculture. This has led many development economists to associate development with industrialization. Following this dogma, many developing countries have established highly capital-intensive and sophisticated industrial enterprises, similar to those in developed countries. Such efforts, however, have often led to bitter disappointment when the desired results failed to materialize. Such projects are mere showcases whose contribution to development is negligible—and sometimes even negative—because they are built at the expense of enterprises that meet the basic needs of people. Nations with high agricultural potential spend enormous resources on agricultural imports and depend heavily on imported technology, capital, and management. At the same time, local agriculture stagnates and nutritional standards remain far lower than in the advanced countries. Distribution of income is tilted in favor of industrialists against farmers, workers, and consumers.

At the other extreme is agricultural fundamentalism, which holds that, in the initial stages of development when per capita incomes are low, agriculture alone can serve as an instrument of development and that increased agricultural productivity is a prerequisite to increased income and industrialization. The proponents of this dogma argue for allocation of more resources and attention to agriculture rather than to industry. They do not, however, realize that agriculture cannot develop alone and that the concomitant development of industry and supporting infrastructure is essential not only for the growth of the national economy but also for the advancement of agriculture itself. The non-agricultural sector must be developed to the extent that it is able to provide the agricultural sector with new farm inputs and services vital to its development, as also to absorb the manpower rendered surplus as a result of increased labor productivity in agriculture.

Agricultural fundamentalism has generally resulted in growth without development, mainly because of lack of linkages between the agricultural and non-agricultural sectors, and partly because of distribution of income being skewed in favor of big landlords. The establishment of small and less capital-intensive industrial enterprises in rural areas, along with introduction of new technology in agriculture is likely to establish linkages between agriculture and industry. The Israeli strategy of integrating agricultural and industrial sectors is worth emulating. In Israel, industrial enterprises were set up in rural areas along with the introduction of more efficient methods of agricultural production. Initially, the industrial enterprises included mostly services and industries connected with agriculture, such as feed mix plants, factories for processing agricultural produce and for producing tools and various accessories. Most of these enterprises were owned, either fully or in part, by the farmers themselves. In the course of time, the scope of industrial enterprises was widened to include activities completely unconnected with agriculture, such as jewelry manufacturing and ceramics (Weitz 1971, Chapter 9).

Capital Versus Labor Dogma

This is a legacy inherited by today's development economists from their predecessors in the developed countries, who considered capital to be the key instrument of development. The Harrod–Domar model represents a typical example of this dogma (Todaro 1995, 70–72). In this model, the rate of growth is expressed as the product of the savings rate and the output–capital ratio. Under the assumptions that capital and labor cannot be substituted for each other and that labor is in surplus supply, capital becomes the overriding constraint on economic growth. This dogma received a further fillip from those techno-economists who held that all new technology is embodied in capital.

Capital fundamentalism has been blindly accepted by development economists and planners in the developing countries. This has led to the promulgation of a number of policies in these countries, all aimed at increasing savings, redistributing income from the workers to the capitalists, granting monopoly rights to national and multinational corporations, transferring resources from the private to the public sector, increasing dependence on foreign aid and loans, and underpricing of capital, particularly foreign exchange for capital goods. This has resulted in a number of adverse effects on the economies of these nations. For example, underpricing of foreign exchange for capital goods has killed the incentive to develop labor-intensive technologies adapted to domestic needs and circumstances, and has led to premature and excessive mechanization in a number of sectors, resulting in the unemployment of labor and underutilization of other domestic resources.

Capital fundamentalism has extended to cover human capital formation as well. Higher education is highly subsidized in most developing countries, with the result that millions of college and university graduates are added annually to the pool of the unemployed, white-collar proletariat. In India, enormous investment has been made in the institutes of higher learning, particularly in the fields of engineering, technology, agriculture, medicine, and management. Many of the graduates of these institutes usually do not like the work environment and compensation rates prevailing in the country and seek jobs abroad. Thus, the scarce resources invested in their education and training are lost to the country. It seems that at this stage of India's economic and technological development, we need more institutes such as vocational schools to train barefoot agricultural and other technicians, engineers, doctors, and rural managers, rather than institutes for highly advanced training. Similarly, one wonders why we should produce more college and university graduates in disciplines such as arts, commerce, and agriculture and veterinary sciences than we need. The demand for higher education could be brought down to match the availability of jobs by pricing it at its real resources cost, which is markedly higher than the present cost.

In the US and other Western countries, most students terminate their studies at the high school level (10+2) and become self-employed as skilled workers such as electricians, plumbers, and motor garage mechanics. But their training is broad-based and highly practical and relevant to their context, with the result that high school graduates are able and confident to set up and manage their own small business or take up wage-paid jobs. We should learn from this experience and make our education less capital-intensive and more relevant to our requirements. We need to thoroughly overhaul our present education policy, which has become outdated and irrelevant in the context of our changed environment. More emphasis needs to be placed on the vocationalization of education.

Autonomous Versus Induced Development

In every country, some development takes place naturally or autonomously over time due to activities of individuals pursuing their own interests, but its level and pace may not be adequate to attain and maintain a reasonably satisfactory standard of living. In such situations, some sort of intervention is needed to speed up the pace of natural development. Development planning is one of the forms of intervention that has been adopted in many developing countries of the world and is considered a magic door to development. In fact, even the advanced countries have come to realize the need for some sort of planning or government intervention in the economic processes. It seems that there is a growing consensus around the statement that any planning is better than no planning at all and that decentralized planning is better than centralized planning.

However, we need to realize that planning can make a positive contribution only if it facilitates the achievement of development objectives more rapidly and more efficiently than if development followed the natural processes. It is now becoming increasingly apparent that the development effort cannot be left to the government alone. It must be shared by private, cooperative, corporate and other NGOs and agencies and, above all, by the people themselves. Planning by the government should complement and supplement the efforts of individuals and NGOs.

The main role of planning should be to provide a congenial economic and political environment for people to enable them to achieve their cherished goals and to set the rules of the game and enforce them strictly.

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