Source:


Summary:

One of the first and most influential academic studies to emerge in the neoliberal tradition was Robert Bates’ *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (1981). In this book Bates develops a highly political explanation for the failed agrarian transition in sub-Saharan Africa. Asking why governments in these countries persist in following agricultural policies that not only go against the interests of farmers at large but also have thus far failed to transform the agricultural sector, Bates analyses the role that politics have played in shaping certain economic choices. Based on a rational choice framework, his succinct, elegant and apparently persuasive argument is that the fundamental problem in Africa has been pernicious intervention of the state—through ownership or regulation—in the natural workings of the market.

According to Bates, while state elites may have attempted to make a transition to a ‘modern’ capitalist system, they also (and principally) have sought to consolidate their political and economic power at the expense of the large majority of the agrarian population. The most significant method they have used to achieve this is to extract surplus from the agricultural sector in order to promote industrial development. In their attempt to ‘squeeze’ the peasantry, state elites have pursued the twin goals of enforcing the compulsory production of agricultural products at fixed prices and maintaining food prices artificially low so as to reduce the cost of living in urban areas and preserve the support of industrial constituencies. Through government-controlled marketing boards, which were established under colonial rule and have a monopoly on the purchase and export of agricultural goods, as well as through the manipulation of exchange rates, African states and their respective (bloated) bureaucracies have succeeded in depressing the prices of export crops.

The large involvement of the state in the economy has allowed individual politicians and bureaucrats to manipulate markets as a means of generating profits through noncompetitive mechanisms and to use them not only to enrich themselves but also to build a basis of political support. This perverse dynamic has led to the antithesis of development. According to Bates, incumbents distribute rents in a highly selective manner in order to sustain a system of patronage and clientelism in which favours and connections can be exchanged for political support. Thus there is a political rationale to an otherwise seemingly incongruent economic logic: state intervention has engendered a predatory state composed of rent-seekers and entrepreneurs in which only the most highly organised aggregation of interests prevails, and in which the individual maximisation of self-interests takes precedence over collective goals.

An example that epitomises how specific state policies are designed and implemented to
privilege a particular pocket of society to the detriment of the collective good is the strategy of class and interest division that bureaucratic elites have pursued in the countryside in order to sustain a network of political support. Bates documents how African state elites have played a fundamental role in altering the social and economic makeup of the agrarian sector. Rational politicians and bureaucrats have systematically used their power to allocate agricultural input subsidies, secure access to land and technology, and provide subsidised credit, among other things, to promote the development of a privileged group of individual large-scale farmers who owe their position to the government and therefore have a vested interest in preserving the current system:

The politics of pork barrel supplant the politics of class action. Debates over the fundamental configuration of policies remain off the political agenda of the African countryside, and individual rural dwellers come, as a matter of personal self-interest, to abide by public policies that are harmful to agrarian interests as a whole. For Bates, the weakness of the predatory state lies in the fact that the policies of exploitation and domination that give it meaning are unsustainable in the long run. The costs of maintaining a system based on patronage and clientelistic ties are onerous, and the ability of state actors to generate the revenues necessary to sustain it largely depends on how far they succeed in squeezing the peasantry, whose control over the land gives it a certain degree of flexibility to avoid state domination. Equally importantly, the effects of these policies, which are detrimental to a majority of the population, will eventually harm the state’s political supporters as well, leading them to react.¹

Outline:

Chapter One: Policies Toward Cash Crops for Export

Summary: African farmers that grow crops for export are subject to pricing policies that reduces prices that they receive to a level well below world market prices. Although some resources that have been expropriated from the agricultural sector are reinvested back into it in the form of interest payments and public services, it seems as though much of the remainder of these resources are diverted to other sectors: the state, the urban-based industrial enterprises, the bureaucrats that administer the publicly structured markets for farm products.

Chapter Two: The Food Sector: The Political Dynamics of Pricing Policies

Summary: Although urban consumers typically want higher wages to increase their purchasing power, governments generally don’t want to allow that to happen because the government is usually the one to pay them. However, in the case of lower food prices – grown by African farmers – both urban-dwellers and the government stand to benefit and so both advocate for lower food prices. When a certain crop is grown by peasants, African governments will depress the price; however, when a certain crop – such as rice, in Ghana – is grown by members of the elite, the price of the crop is well above world market average prices. Further,

¹ http://www.odi.org.uk/events/docs/3656.pdf
while the rationale given for lowering food prices is generally assumed to be so as to benefit the consumer, African governments show that it is actually generally more accurate that these prices reductions benefit the elites.

Chapter Three: The Food Sector: The Use of Non-Price Strategies

**Summary:** In other areas of the developing world, the existence of elites deriving their wealth and power from agriculture antedates to commitment of national governments to programs of economic development. In these areas the politics of development became the politics of displacing these existing elites, as urban interests attempted to secure their capitulation into the new economic order. By contrast, at the time of the commitment to industrial development in much of Africa, the countryside contained few persons of landed power. It is the programs in support economic development that have promoted the growth of such elites in rural areas. The initial push towards industrialization has thus encountered far less resistance in Africa.

Chapter Four: The Emerging Industrial Sector

**Summary:** African governments, like all others around the world, want to industrialize. Governments try to help domestic industries to flourish by guarding them from competition from foreign firms, as well as from competition from other domestic firms. African industrial landscapes are typically dominated by a handful of large firms, which are sometimes monopolies, and are oftentimes government-owned. Under such heavily sheltered conditions, inefficient firms survive. As a result, consumers, including farmers, pay higher prices. Moreover, virtually no African states export manufactured goods.

Chapter Five: The Market as Political Arena and the Limits of Voluntarism

**Summary:** Large-scale farmers in Africa can lobby collectively in defense of their interests, namely of higher commodity prices. They can organize easily because they tend to be geographically concentrated, and the costs of organizing are low. In contrast, small-scale farmers tend to be more geographically distributed, are more numerous, and it is more costly for them to organize. As such, African agricultural policies – to the extent that they reflect the interests of any farmers – tend to favor the policies of the large-scale enterprises. We also see that the interests of large scale and small-scale farmers often come into conflict.

Chapter Six: Rental Havens and Protective Shelters: Organizing Support Among the Urban Beneficiaries

**Summary:** By intervening in markets for capital and foreign exchange, and by influencing the structure of markets for manufactured items, the governments of Africa have sought to use government power to promote more industrial development, which is equated with the public good. These policy environments create economic environments that generate rents. The rents are both economically valuable and politically useful, and from them are forged the bonds
that tie African governments to their miniscule industrial bases. Thus policy choices, made to serve a new vision of the public good, have created a network of self-interest.

Chapter Seven: The Origins of Political Marginalism: Evoking Compliance from the Countryside

**Summary:** Through coercion, governments in Africa block the efforts of those who would organize in attempts to achieve structural changes; only the advocacy for minor adjustments is allowed. Moreover, through the conferral of divisible benefits, they make it in the interests of the individual rural dwellers to seek limited objectives. Political energies, rather than focusing on the collective standing of the peasantry, focus instead on the securing of particular improvements – subsidized inputs, the location and staffing of production schemes, the allocation of jobs, and the issuance of licenses and permits. Rather than appeals for collective changes, appeals instead focus on incremental benefits. The politics of the pork barrel supplant the politics of class action. Debates over the fundamental configuration of policies remain off the political agenda of the African countryside, and individual rural dwellers come, as a matter of personal self-interest, to abide by the public policies that are harmful to agrarian interests as a whole.

**Methods:**

Rational choice framework, econometrics, fieldwork

**Critiques:**

While Bates’ view of the role that the state has played in Africa accurately describes the reality in many of the countries in the region, and therefore may appear convincing and persuasive, his explanation is incomplete. To gain a deeper appreciation of the dynamics at work in the failed agrarian transitions in Africa, his argument must be situated in the context of the specific socio-political, historical and structural processes which have shaped African development before, during and after the period of colonial rule. But as it stands, Bates’ theory of collective action is based on a narrow individualism that sees the state as little more than the simple aggregation of individual maximizers and largely extracts his rational actors from the realities that shape the circumstances under which they make the choices that they do. Curiously, it is not until the last chapter of his book that Bates acknowledges the importance of outside factors like repression, state-sponsored rural demobilization, and historical legacies in constraining individual choices.²

**Secondary Summary:**

The economies of Africa are rural but the governments seek to industrialize. Elites attempt to extract resources from agriculture and channel them into manufacturing and industry. Infant industries also require protection and the governments use the revenue from agricultural taxation to promote industrial policy. Workers and employers have common interests in increasing profits, and governments seek low-cost food to maintain the backing of the urban centers. Thus, cash crops are taxed for revenue, while prices of food crops are depressed to ensure low-cost supply to urban areas. Both taxation and price depression cut into the profits of farmers.

In addition, inefficient industrial production (due to protection from both foreign and domestic competition) ensures that the prices they pay for consumer goods are also higher, which further erodes their purchasing power. This leads to fall in agricultural production. One way governments promote increases in agricultural production is through subsidizing inputs such as fertilizers, credit, and machinery. These subsidies, however, tend to accrue to larger commercial farmers at the expense of the smaller ones. Governments repress those who would champion the collective interests of agricultural producers; they give side payments to influential members of the rural sector, inducing them to defect from the rural coalition; and they use resources obtained from market intervention to build political organizations in support of their policies (pp. 119-21).

Thus, we observe the seemingly paradoxical phenomenon in Africa: in a continent peopled largely by farmers, an ever-increasing portion of scarce foreign exchange is being spent on imports of food (p. 1), and agriculture is both taxed in products and subsidized in inputs (p. 5). The reason for this mixture is the social purposes and political calculations that lead governments to intervene in agricultural markets to the detriment of farmers (p. 3). Thus, the reason lies in autonomous choice on the part of local actors, and is not determined by international political and economic forces as if often supposed (p. 8).

**Summary of Arguments and Subsidiary Points**

Farmers are viewed as sitting on the intersection of three markets: (i) the market for their agricultural products (both cash crops for export and food stuffs), (ii) the market for agricultural inputs (credit, machinery, fertilizer, seeds, etc.); and (iii) the market for consumer goods, mainly manufactured by urban-based industries. The book examines the reason for government intervention in all three markets in ways adverse to interests of farmers, and then analyzes the reasons farmers have been unable to organize to protect their interests.

*Cash crops taxed.* Rapid development is achieved by shifting from economies based on agriculture to industry and manufacturing. African governments divert resources from traditional to the modern sectors through publicly sanctioned monopsonies for purchase and export of cash crops (pp. 11-2). Governments need revenue and foreign exchange, and thus these agencies are used to impose taxes on farmers instead of accumulating funds for them (they buy at artificially low prices and sell profitably at world market rates). Resources are diverted to the state, to urban-based industrial enterprises, and to the bureaucrats who administer the markets (p. 28)

*Food crops subsidized.* There is also pressure for low-cost food crops from urban
workers, employers, and the state. Urban unrest is serious threat to governments and cannot be eradicated through repression or co-optation. Thus, governments try to appease urban interests not by higher money wages (want to maintain environment friendly to foreign investment and develop domestic industry) but by reducing the cost of living, especially the cost of food (p. 33). African governments maintain an overvalued exchange rate to facilitate certain imports and thus reduce the domestic price for food. They also restrict exports of food when domestic price is under the world price (p. 36). They also intervene directly in food markets but with less success because unlike cash crops that need to be exported (and thus are easily controlled at ports of exit), food crops can be bought and used by virtually anyone (p. 40). Governments seek to promote food production by means other than raising commodity prices (since this is unacceptable to urban workers). They enter the market for food and set themselves up as producers rival to the peasants by using the public treasury (p. 46). Although state farms are unprofitable, ever in arrears, and unable to influence the level of food prices, they impact the social structure of the countryside and privilege few farmers at the expense of the small ones (p. 49). In addition, governments try to promote production by manipulating the price of farm inputs. Again, state subsidies for fertilizers, seeds, mechanical equipment, and credit tend to benefit large commercial modernizing farmers at the expense of the small ones (pp. 50,57)

**Consumer prices high.** The major strategy for promoting industrial development is to shelter new firms from economic competition, both foreign and domestic. The level of effective protection (given to the profits of industries) exceeds the level of nominal protection (given to the price of products). In this, they favor industries that produce goods for final consumption (pp. 65-6). Because trade programs involve allocation of quotas or licenses for imports, and because their distribution depends on historic market share, these policies freeze existing patterns of competition and prevent domestic competition, thereby allowing inefficient high-cost firms to survive (p. 67). The resulting industrial structure has a small total number of firms, with few firms in each industry, and with production within each industry concentrated in a very small portion of establishments (p. 71). Without foreign competition, domestic prices increase; and without domestic competition, profit margins are higher. In both cases, the result is a rise in consumer prices (p. 74). Market intervention leads to formation of vested interests in policy program (p. 98). Administrative rents (a value in excess of market value created by an administratively generated fixity of supply) as well as noncompetitive rents (increases in earnings of firms created by ability of prices in protected industry to rise above level that would be sustained by competition) create economic inefficiency that can be used for political purposes (p. 105). Privileged access to scarce commodities or help in sheltering industries is used by elites for personal gain or to create a political following

**Government policies.** When governments intervene in markets, they often harm the farmers. By sheltering domestic industries, they rise the commodity prices that farmers must pay. On the other hand, they lower the prices that farmers get for their products or compete with them. Finally, most subsidies for inputs are reaped by the richer few (p. 81). How do governments get away with this, why don't farmers organize to protect themselves?

**Private choice.** Rural dwellers can use the market against the state and evade some of the adverse consequences of government policy. They can (a) withdraw from ventures that
have become economically unattractive; (ii) alter their production mix to take advantage of shifting relative prices; (iii) migrate to places with better labor markets; (iv) divert produce into private (illegal) channels of trade; (v) alter the production mix to avoid the burdens that governments impose by switching to products that are difficult to control (pp. 82-7).

**Collective action.** The structure of their industry prevents rural dwellers from organizing: the large number of small farmers results in interest-group inaction due to free-rider problems with lobbying costs (p. 90). The large farmers, whose interests often conflict with those of the small ones, secure gains at the expense of the latter (p. 95).

**State coercion and rural demobilization.** Primary object of government coercion are (i) opposition parties that mobilize rural populations against the agricultural policies, or (ii) political entrepreneurs who seek to build their careers on protests against these policies (p. 108). States also use their control of markets to fragment the rural opposition by making it in the private interest of individuals to cooperate in programs that are harmful to the interests of the producers as a whole; e.g. subsidizing supporters only (p. 109). Also, governments manipulate the structure and performance of public services in efforts to organize political support in the country side; e.g. creating a system of spoils and pork-barrel politics (p. 113).

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