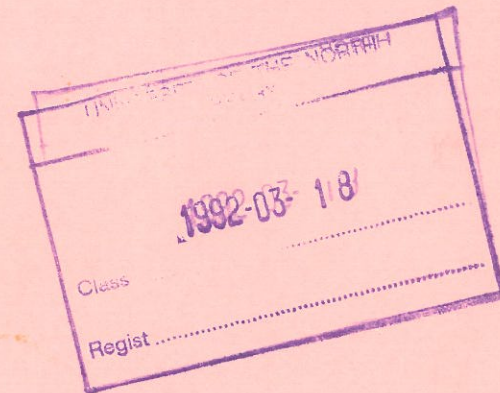


# A SOCIO - POLITICAL VIEW OF ECONOMIC DEVELOPMENT WITH SPECIAL REFERENCE TO AGRICULTURE

A. de Villiers



INAUGURAL ADDRESS AT THE ACCEPTANCE OF THE CHAIR OF  
THE DEPARTMENT AGRICULTURAL ECONOMICS AT THE  
UNIVERSITY OF THE NORTH ON WEDNESDAY  
16 OCTOBER 1985

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Mr Deputy Vice-Chancellor, ladies and gentlemen, I have chosen as the theme for my inaugural address the topic of 'A socio-political view of economic development with special reference to agriculture.'

## 1. INTRODUCTION

Since the end of World War II interest in economic development as a social science has increased with leaps and bounds. New terminology came to be used, such as First, Second and Third Worlds, less developed, under developed and developing countries. In the developed countries development problems are being researched, conferences are considering development solutions, and textbooks are discussing development strategies. Economic development as an industry has created large numbers of employment opportunities in developed countries!

Despite these efforts, not many spectacular economic development results have been achieved in less developed countries. Quite often people in less developed countries are disenchanted with the efforts of the 'developers' as illustrated by the following lines by Cecil Rayendra:

'I have no bones to pick with progress, but if croupiers and waiters,  
and foreign investors, take over from our farmers and fishermen,  
pray tell me this:  
when my son grows up, what will he eat?  
tourists, transistors or stones?'

These lines indicate some of the conflicting views between the 'developers' and the people to be 'developed'.

A university, especially if situated within or linked to a less developed country, has an important role to play in the process of economic development. I therefore thought it appropriate to discuss aspects of economic development in my inaugural address.

## 2. A DESCRIPTION OF ECONOMIC DEVELOPMENT WITH REFERENCE TO SOUTH AFRICA

Economic development has been described and defined in different ways by different people. A description which I find useful, is the following:

'Economic development is the process aimed at improving the quality of life of people, by means of economic growth, the equal



distribution of its benefits, the improvement of the capacity for growth and development, and the creation of a framework for the involvement of people.

This description give rise to a number of implications:

1. There is no such a thing as a free meal. Economic development is fed by the engine of economic growth.
2. The results of economic development must be distributed widely to benefit the whole nation.
3. Long term economic development requires people participation.

South Africa can be described as a micro-cosmos of both developed and less developed countries. The economic development of the less developed areas of the country, specifically the national states, is largely politically motivated by the policy of separate development. This policy holds a number of political, social and economic implications for South Africa.

1. The policy has proven to be politically expensive. It is largely rejected by the international community, to such an extent that trade boycotts and disinvestment campaigns are waged against the country. The result could be a weakening of the economy seen in a falling currency, unemployment, increased tax burdens etc., which decreases the capacity for economic development.
2. The policy also caused a relatively high level of social costs to the country, namely negative attitudes and mistrust between Black and White, which creates an unfavourable framework detrimental to economic development.

Any reforms which could lessen political and social tensions in South Africa, is likely to improve the capacity for economic development and must therefore be welcomed.

Irrespective of which political dispensation might eventually be evolved in South Africa the economic development of less developed areas, such as the national states, remains an urgent task.

### 3. THE ECONOMIC DEVELOPMENT OF THE NATIONAL STATES

An analysis of the economies of the national states cannot be undertaken in isolation, as these areas are economically closely

integrated with the regions in which they are situated. The situation in the Northern Transvaal region illustrates this. The Northern Transvaal region (development region G), is unique in the sense that three national states namely Lebowa, Gazankulu and Venda, are found within its borders. According to the 1985 census the population of the region totalled just in excess of three million people of which 96,5 percent were Black and only 3,5 percent were non-Black. Even in the non-Black political areas, Blacks were in the majority, namely 81 percent Blacks and 19 percent non-Blacks. From the above it follows that although the northern Transvaal region is presently divided into specific political areas, the size of these areas do not correlate with population size and-distribution.

The characteristics of the Lebowa economy are typical of the situation found in other national states. A brief review of a few economic indicators can be used to illustrate the economic interaction between national states and the RSA.

Commentators are often vague when discussing the economic viability of the national states. If complete economic separation could have been practical, economic viability could refer to economic self-sufficiency. This is not practical or desirable for South Africa or for most countries in the world, where economic interaction in the form of trade and services flow, provides an important stimulus for economic development. The objective for the national states should rather be the development of a sound economic base. Two norms could be used to measure progress towards this objective:

1. The capacity to provide employment for its own citizens;
2. The capacity to finance own government spending

An analysis of the Lebowa economy indicates the following in this regard.

Firstly the manpower and employment situation of Lebowa, based on 1985 information:

TABLE 1

De jure population	2,5 m	
Potentially economically active	1,1 m	(44 %)
Total paid employment	290,100	(26 %)
Place of employment:		
Internally	57 200	(20 %)
Commuters	60,000	(21 %)
Migrants	175 000	(59 %)

1. Only 26 per cent of the potentially active segment of the population (people within the 15 to 64 age group) are employed. The comparable figure for a developed economy is in the region of 60 per cent;
2. Some 80 per cent of this employment (commuters and migrants) is outside Lebowa's borders.

Secondly the financial situation of Lebowa Government, for 1984- /85:

**TABLE 2**

	R	Per cent
<b>1.SOURCE OF INCOME</b>		
Own income	82 380 000	24,7
Development aid	251 289 999	75,3
TOTAL	333 669 000	100,0
<b>2.EXPENDITURE</b>		
Capital	39 031 000	11,6
Current	297 716 000	88,4
TOTAL	336 747 000	100,0

The above table indicates the following:

1. More than 75 per cent of the government's income is made up by development aid. This is the financial package applicable for self-governing national states. If the financial package applicable for independent national states were made applicable for Lebowa, it is calculated that this would increase its own income to at least 40 per cent of total income.
2. The Lebowa Government spends more than 88 per cent of its income on current expenses (administration), leaving less than 12 per cent for capital investment, which is important for economic development. Current expenditure is also more than 3,5 times its own income.

From the above figures it becomes apparent that the Lebowa economy is heavily dependent on outside sources for investments and employment. If it is further noted that more than 45 per cent of Lebowa's

consumer buying power is spent outside its borders, the two way economic interaction between Lebowa and its region is clear. This regional interaction provides the basis for a new development strategy, namely regional economic co-operation across 'soft' economic borders. From a political viewpoint these same borders can be identified as 'hard' political borders.

Acceptance of a regional approach to development should not mean that a lower priority be given to internal economic development. These two approaches should be complementary to each other. The total development strategy for a national state in the South African situation should therefore be made up of two approaches, namely the economic development of the hinterland, and in conjunction with this, regional economic co-operation across political borders.

In the next section attention will be given to the first element of this strategy, and specifically to agricultural and rural development.

#### 4. AGRICULTURAL AND RURAL DEVELOPMENT

##### 4.1 Role of agriculture in economic development

It is generally accepted by politicians and planners that agriculture has an important role to play in the economic development of less developed countries. However, often only lip service support is given, as many examples can be seen where development efforts are urban biased to the detriment of agricultural development.

In order to confirm the indispensable role of agriculture in economic development, the specific contributions must again be stated. These are:

1. Agriculture makes a product contribution, namely it provides foodstuffs for a growing population. Many less developed countries are to a large extent dependent on food imports which must either be financed by development aid or by their own scarce foreign exchange. Efficient agricultural production keeps food prices competitive, which acts as a stabilizing force in keeping inflation in check. Countries which are able to export agricultural products competitively, earn valuable foreign exchange needed to pay for other imports required for economic development.
2. Agriculture makes a market contribution, that is commercial agricultural production provides the internal buying power required to finance purchases of goods and services from the industrial, commercial and service sectors of the economy.



3. Agriculture makes a factor contribution, in the sense that it provides the required inputs for industry. In the same way commercial agricultural production is also an important tax basis for government income.

In most less developed countries with a general lack of economic activity, agriculture could provide the starting point and on-going stimulus for economic development. The choice for these countries is not to pursue either an industrial or an agricultural strategy, but rather an integrated development strategy in which agriculture has an indispensable part. Countries which ignore the importance of agriculture in economic development, do so at their own risk. A number of such unfortunate results can be seen, especially in Africa.

#### 4.2 Results with agricultural production in Africa

Africa has been called the hungry continent. Examples of countries in Africa where famine is a pressing problem today, are known to us. The results with agricultural production in Africa is on average, not encouraging. This is indicated in the next table, which contains information on 20 African countries representing examples of the 'worst' and the 'best'.

**TABLE 3**

**Average index of food production per capita for 1980-82, with 1970-72 = 100**

Ethiopia	85
Mali	88
Malawi	96
Zaire	87
Uganda	86
Burundi	100
Somalia	65
Tanzania	91
Mocambique	73
Sudan	102
Ghana	74
Kenya	85
Senegal	76
Liberia	95
Lesotho	86
Angola	81
Nigeria	91
Zimbabwe	92
Ivory Coast	110
South Africa	105

The countries are listed in sequence of lowest to highest per capita income. During the period under review some of these countries experienced the ravages of civil wars, but most of these countries were free of such upheavals. During the latter part of this period Africa experienced a devastating drought, but so did other parts of the world. A worldwide comparison of agricultural production in the Middle and Far East, South America, North America and Europe, shows an average increase of agricultural production. Africa stands out as the odd number.

#### 4.3 Causes of agricultural stagnation in Africa

The paradox of African agriculture is falling productivity alongside increasing size of unused idle land. No single factor can be identified which is solely responsible for falling agricultural productivity in Africa, but a number of factors jointly produce this result:

1. The first factor is the outflow of the younger and higher skilled segment of the population from rural to urban areas, leaving the older, less skilled and often women, behind to be responsible for farming. Both push and pull factors are at work to create this rural-urban drift. A lack of employment opportunities within rural areas 'push' people out, while wage opportunities in urban areas 'pull' people towards these centres. The Todaro model shows that this people flow is likely to continue despite a high and rising level of unemployment in the urban centres. The explanation is to be found in the choice of a workseeker to move to the city which is based on his perception of his chance of getting employment and not on actual information. This choice is also explained by the household economic theory of consumer behaviour. This theory indicates that time is the restricting factor which affects the opportunity cost of labour in agriculture. Members of the rural household with the greatest comparative disadvantage in wage employment (the older and lower skilled) will allocate their time to agricultural production, while the members with a relative higher employment opportunity (the younger and better skilled) will rather spend their time on wage employment in urban centres.
2. The second contributing factor to falling agricultural productivity, is the system of communal land rights found in Africa which does not provide incentives for commercial production. From an economic viewpoint it can be stated that, 'land which belongs to everyone belongs to no-one'. The lack of permanent security precludes incentive to invest. The issue of land rights can also be viewed from a social viewpoint. It has been established that land is seen by rural



people as a basis for social security, in cases where no or an inadequate formal state social security system is in operation. The application of household labour to subsistence agriculture is a way to earn a livelihood or supplement inadequate retirement pensions. As land rights are linked to occupation it is found that migrant workers often leave these rights in the trust of the remaining household members (which would in terms of the theory of household consumer behaviour, be the older and lower skilled members). The results is that portions of land is 'locked up' and under the control of people who often cultivate it indifferently.

3. The third basic cause of agricultural stagnation in African, is of an economic nature. It has been proven empirically that small scale farmers often produce in a technical inefficient manner (due to the non-use or under utilization of specific inputs), but combine the available inputs in an economically efficient manner. The implication is that if technical bottlenecks could be overcome, an increase in productivity could be expected. The requirement is for an integrated agricultural infrastructure, providing both support and incentives for increased production.

#### 4.4 The integrated rural development strategy

The importance of agriculture in economic development has been established. The basic causes of the present low level of agricultural productivity in Africa indicates that a solution must be based on both economic and social elements. Even if these causes could be addressed, and agricultural production is increased, two further problems remain in rural areas:

1. Not all rural people have access to land rights, and will therefore not be included in an agricultural programme;
2. Due to a general lack of development capital and skills, most less developed countries do not have the capacity to provide the full requirements of the integrated agricultural infrastructure to those who do have access to land rights. The magnitude of this task will be appreciated if it is noted that more than two-thirds of Lebow's *de facto population is to be found in rural areas.*

These two facts indicate that the focus on agricultural activities only will leave a large segment of the rural population outside the main stream of economic development. To overcome this obstacle the integrated rural development strategy aims at the stimulation of economic activities within the rural areas, to accommodate as many people as possible who are dependent for a livelihood on this sector.

For most rural areas in less developed countries, three broad categories of target groups can be identified:

1. The first target group is the commercial farmers who must receive the support of the integrated agricultural infrastructure to make the required product, market and factor contribution to economic development. A practical possibility to achieve this objective will be considered in the next section.
2. The second target group is those people with access to land rights, yet only partially dependent for a livelihood on farming, due to remittances received from urban centres. The approach is to provide limited elements of the agricultural infrastructure to improve technical efficiency. The first priority of this support must however be reserved for the full-time farmers.
3. The third target group is those people without land rights, yet partially or wholly dependent for a livelihood on the rural areas. The approach is to create employment opportunities within the rural areas by means of labour intensive production methods at agricultural projects and the construction of physical infrastructures, the establishment of rural based small scale industry, support to rural based commercial activities, and the support of informal sector activities. The best support for this last group is often non-interference in their activities.

#### 4.5 The role of agricultural development projects

Due mainly to the lack of people involvement with many agricultural projects in less developed countries, this form of development has been seriously questioned. Well planned projects can however play an important role in agricultural and rural development, if attention could be given simultaneously to two requirements:

1. Long term agricultural production is only possible if the profit incentive is present;
2. Small scale farmer participation requires the support and incentive of an agricultural infrastructure geared to their circumstances;

A practical method to achieve these objectives is by means of the core project concept. This concept is to allow a development agency, such as a development corporation or private company to farm an economic size land area for its own account. This is the incentive for investments. As soon as the core project breaks even financially, the agency is in the position to provide the required elements of the agricultural infrastructure to small scale farmers at cost.



As the core project is geared to commercial production it is in a position to identify the elements required for commercial production by other farmers. It is however unlikely that the needs of a large scale capital intensive project would be the same as for small scale labour intensive farming. For this reason on-farm research to determine the form of support and incentives required by the small scale farmer is essential.

A well planned core project linked to small scale farmers could provide the economic stimulus to the first target group identified within the integrated rural development strategy. The creation of economic activities at these core projects is likely to have considerable multiplier effects for the other target groups as well.

Finally it must be noted that the objectives of three interest groups should be considered in the planning of a core agricultural project, namely:

1. The government which has macro-economic interests such as economic growth, equitable distribution of benefits, community participation etc.
2. The development agency which should support the same macro objectives as the government, but would also have an interest in such micro-economic aspects as the financial viability of the proposed investment, the projected break-even point, the capacity to recoup the investment etc.
3. The third level of interest which need to be considered is that of the individual farmer. His interests will be on the micro-economic level, namely margin of profitability, size of earnings, investment and labour requirements, etc.

The successful project requires that these three levels of interests must be synchronised. The socio-economic cost-benefit analysis is a practical technique to calculate project viability from these three viewpoints.

##### **5. OBJECTIVES OF THE DEPARTMENT AGRICULTURAL ECONOMICS**

The department Agricultural Economics accepts that its graduates must be trained to work in the general field of economic development, both in less developed as well as in developed countries. For this reason the teaching and research of the department is focussed on

reason the teaching and research of the department is focussed on aspects important to a less developed economy, such as macro planning and project analysis, as well as the aspects applicable to both a developed and a less developed economy, namely production economics, marketing, management, policy and quantitative techniques.

I believe that teaching at a university can be made of practical use, if linked to research. For this reason the staff of this department is continuously involved with research as part of the teaching task. Research projects recently completed or still in the process, include topics on rural development, project analysis, regional co-operation, co-operatives, small scale farming, etc.

The department, in the persons of myself and Charles Machethe, is also involved with an economic advisory service to the Lebowa Government. This task improves our insight into the political and social aspects of economic development, which benefits our teaching.

The department Agricultural Economics, in conjunction with other departments, offer two main streams of study. The first is the four year B.Sc. Agric. degree, which include four years of agricultural economics and three years of economics and business economics, with supporting courses in accounting, statistics, quantitative techniques and agricultural subjects. The degree is aimed to train professional economists who could enter development or commercial work, or teaching and research.

The second stream of study is the B.Agric. degree providing 3 years of training in agricultural economics and two other majors from agricultural subjects. The purpose of this degree is to train practical agriculturalists. For both degrees post-graduate studies are possible.

A future objective of the department is to include training in agricultural extension within the B.Agric. curriculum. For this purpose a staff member of the department, Moses Modjadji, is presently enrolled for the M.Sc. degree in agricultural extension at the University of Reading, in England.

I wish to record a public word of appreciation to my colleagues in the department, namely Charles Machethe, Mmkgomo Tshatsinde and Moses Modjadji for their support and co-operation.

With this statement of intent I accept the chair of the department of Agricultural Economics at the University of the North.

May God bless this University

May God bless our country

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