



Rural futures

How much should markets rule?

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The paper distinguishes different approaches to markets in, and affecting, rural sub-Saharan Africa, and present some associated policies, notably ‘market-friendly’ and ‘market-challenging’. We then propose a political economy approach as a more satisfactory way of grasping the complex social dynamics of ‘real markets’ and their forms of unequal power. This is illustrated in relation to the class differentiation of ‘small farmers’ and its effects for rural ‘livelihood diversification’.

Contents

Summary	4
1 Introduction	6
2 Framing markets: ‘market-friendly’ perspectives	8
Maximizing markets	8
‘Markets plus’	9
3 Market-challenging perspectives	12
4 The political economy of ‘real markets’	15
Are ‘informal markets’ the way forward?	16
Markets and the social differentiation of small farmers	16
Markets and ‘livelihood diversification’	17
5 Conclusion: policy, reality and paradox	19
References	21

Summary

In sub-Saharan Africa (SSA), farmers, and rural people more generally, have to make their livelihoods and reproduce themselves through market activity (or involvement in commodity relations). Understanding how they do so and with what effects- from relative well-being to intense poverty and insecurity - requires careful attention to various factors: different kinds of markets, and their various determinants and forms of market power; and how groups, differentiated by class, gender and other social relations, are located in particular 'real markets'.

The question 'how much should markets rule?' opens a Pandora's box of issues. For example, does 'how much' imply larger or smaller spaces of economic activity conducted through 'non-market' relations and processes? And is this non-market activity - whether in subsistence production and reproduction (understood as taking place 'outside' markets), or social relations and institutions that permeate and affect markets (supporting or subverting their 'proper' functioning) - carried out in different ways, to different degrees, for good or ill?

This paper presents three different perspectives on markets in rural SSA. Firstly, we discuss two main variants of 'market-friendly' perspectives. Secondly, we examine some currently popular 'market-challenging' perspectives. Finally, we present the key ideas, methods and questions relating to a political economy centred on connections between 'real market' dynamics, power relations, social differentiation and complex livelihoods. We integrate into our discussion the policy implications of each perspective and summarize these at the end of the paper.

The first main variant of 'market-friendly' perspectives is that linked to theory and advocacy of the benefits of market-led development, in the form of the 'Washington consensus' and structural adjustment of the 1980s; what we term a 'market maximizing' (or market fundamentalist approach). The second is the somewhat modified policies and practices that followed with the 'post-Washington consensus' since the 1990s, that we term 'markets plus'. The 'plus' refers to various institutional 'reforms' and interventions that aim to make

markets more 'friendly' to the poor, to support the livelihoods of small farmers through their participation in markets. These include contract farming and public-private partnerships in which the 'public' typically refers to some or other form of 'civil society' bodies and activities. We provide a brief summary of some of the principal analytical and empirical criticism of 'market-friendly' perspectives and their applications.

'Market-friendly' perspectives do not see any intrinsic or necessary tensions between domestic and international markets ('globalization') in measures to foster agricultural growth and overcome rural poverty. Such tensions, on the other hand, are central to 'market-challenging' perspectives, especially those now widely linked with advocacy of 'food sovereignty' (FS) and associated with La Via Campesina (VC), the 'International Peasant's Movement and the 'International Peasant's Voice'. FS sees agriculture today as dominated by a socially unjust and ecologically destructive 'global food system' under the control of international agribusiness to the detriment of small farmers and (especially) poor food consumers everywhere. The message of FS is anti-capitalist, at least in reference to (neoliberal) globalization; hence it advocates both strict national regulation of liberalized international food markets, as well as an alternative model centred on low-input, ecologically friendly food production by small farmers and fostering alternative links between food growers and consumers, whether by modified market or non-market means.

In our view, what remains missing in the encounters and collisions of FS and VC on the one hand, and mainstream 'market-friendly' perspectives, on the other hand, is a deeper and sharper understanding of 'real markets' for which some of the concepts and methods of political economy are needed. The last main section of the paper thus provides a brief introduction to and illustration of a political economy of 'real markets' with special reference to rural sub-Saharan Africa.

Agrarian political economy addresses "the social relations and dynamics of production and reproduction, property and power in agrarian formations and their processes of change, both historical and

contemporary". Investigating those relations and dynamics, and the diverse practices and social forms through which they are manifested, is informed by four key questions of political economy:

1. Who owns what? (social relations of property).
2. Who does what? (social divisions of labour).
3. Who gets what? (social distribution of the product of labour).
4. What do they do with it? (reproduction of producers, non-producers and the means of production; consumption and investment/accumulation).

In capitalism farmers are unable to reproduce themselves outside commodity relations, which are internalized in their activities and how they organize them. It is at this point, of course, that markets and market exchange, in all their variety, become central to considering the fortunes and prospects of different types and groups of farmers and workers in the current world economy. Markets, of course, consist of sellers and buyers of different kinds of commodities (including the commodity 'labour power'), and the political economy of 'real markets' concentrates investigation on the exchanges between sellers and buyers from highly unequal social locations, constituted by relations of property and power as indicated by the four key question above. For example, the circumstances and prerogatives of poor petty traders are fundamentally different from those of large-scale wholesale traders and exporters. In the same way, poor small-scale farmers who depend on various types of insecure activities for their survival are fundamentally different from more prosperous smallholders or middle- and large-scale farmers with the kinds of means of production, capital and transport that allows them to benefit from market access in ways that other producers cannot.

We illustrate briefly aspects of this approach in terms of some central issues in understanding contemporary agrarian change in sub-Saharan Africa which are not confronted adequately by the 'market-embracing' and 'market-challenging' perspectives. In particular, we engage with: emerging ideas about 'informal markets' and whether they represent smallholders' agency for positive change; long-standing processes of social differentiation and how they intersect with 'real market' dynamics; and questions of livelihood diversification in light of the causes and consequences of rural social differentiation in the context of market liberalization.

In our conclusion on 'Policy, reality and paradox' we reiterate the policy recommendations of 'market-friendly' and 'market-challenging' perspectives, and suggest that they achieve their conceptual congruity - a very different matter from their effectiveness in practice - through the lack of adequate distance between their analytical frameworks and their policy prescriptions. The connection in one case is faith in the virtues of markets, in the other case, it is faith in the virtues of small farmers as exemplars of 'the peasant way'. We then note that the political economy of 'real markets', and political economy more generally, does not produce a single set of policy recommendations and the reasons for that.

1

Introduction

In sub-Saharan Africa (SSA), farmers – and rural people more generally – have to make their livelihoods and reproduce themselves through market activity (or involvement in commodity relations). Understanding how they do so and with what effects – from relative well-being to intense poverty and insecurity – requires careful attention to various factors: different kinds of markets, and their various determinants and forms of market power; and how groups, differentiated by class, gender and other social relations, are located in particular ‘real markets’.

In this short paper, we distinguish different approaches to markets in, and affecting, rural SSA, and present some of their associated policies, that we term ‘market-friendly’ and ‘market-challenging’. We then propose a ‘political economy’ approach as a more satisfactory way of grasping the complex social dynamics of ‘real markets’.

The question ‘how much should markets rule?’ opens a Pandora’s box of issues. For example, does ‘how much’ imply larger or smaller spaces of economic activity conducted through ‘non-market’ relations and processes? And is this non-market activity – whether in subsistence production and reproduction (understood as taking place ‘outside’ markets), or social relations and institutions that permeate and affect markets (supporting or subverting their ‘proper’ functioning) – carried out in different ways, to different degrees, for good or ill?

In effect, the question points towards a binary system of ‘market’ and ‘non-market’ activity. This itself may be problematic, not least when non-market activity is reduced to a residual component, either explicitly or implicitly. How are ‘market’ and ‘non-market’ activities articulated, and with what effects, in particular historical (which is to say, social) conditions? Such questions further suggest that any adequate attempt to answer ‘how much should markets rule?’ entails attention to different kinds of markets, the ways in which these are organized, and the effects for unequal distributions of market power.

The following are examples of different types of markets with their own intrinsic characteristics and different dynamics, relevant to rural SSA:

- *Factor markets* (for land, labour, credit as capital, water), each characterized by context-specific features; some of these markets (land, credit) are far more debated than others (labour) in studies of rural Africa (Oya, 2013). Like all markets, these are essentially social and, as argued below, their functioning and outcomes reflect deeply-rooted power relations.
- *Input markets* are particularly important given that, on average, agriculture in SSA displays very low levels of input intensity (fertilizers, improved seed varieties and pesticides), compared to Asia or Latin America (Karshenas, 2001). Input use and access to inputs are not merely aspects of individual farmers’ decisions that impact on their (individual) productivity but are matters of macro-level dynamics, i.e. distribution networks as well as price dynamics driven by macroeconomic trends.

- *Product or output markets* include a variety of primary, processed or semi-processed commodities as well as by-products, along value chains where processing, marketing and branding nowadays constitute key sites of value generation and accumulation. For example, different markets coexist along the coffee value chain, from marketing fresh red berries at farm level to selling specialty coffees in niche markets in rich countries. An important aspect of these output markets is how different layers of a chain are connected and governed and how this affects the kinds and degrees of competition among producers, processors, intermediaries and creditors, and the dynamics of upgrading or downgrading (cf Gibbon and Ponte, 2005).

Other distinctions relate to concern *where* an exchange takes place and the associated level of analysis, for example, village-level, district, regional, national and international markets, all of which have their own specificities, actors, *modi operandi* and institutions.

Debates about markets in Africa and how they affect rural futures too often treat markets as a general and unproblematic category of analysis. They tend to disregard significant differences between markets, and what 'more markets' means in relation to access to inputs, upgrading in value chains, land property relations or labour conditions.

This paper presents three different perspectives on markets in rural SSA. Firstly, we discuss two main variants of 'market-friendly' perspectives. Secondly, we examine some currently popular 'market-challenging' perspectives. Finally, we present the key ideas, methods and questions of a political economy centred on connections between 'real market' dynamics, power relations, social differentiation and complex livelihoods. We integrate into our discussion the policy implications of each perspective and summarize these at the end of the paper.

2

Framing markets: 'market-friendly' perspectives

Conventional definitions, particularly within neoclassical economics, view markets as an institution through which sellers and buyers engage in the free exchange of goods and services. In the terms of political economy, this presupposes a division of labour between producers of commodities. It also assumes that producers have to use the income from market exchange to reproduce themselves that is to replace, and perhaps expand, their means of production, and to buy their means of consumption.

The dominant approach since the 1980s generally puts markets at the fulcrum of economic activity, and is associated with the rise of neoliberalism. Advocates of 'the market principle' or 'market-friendly' perspectives argue that economic activity is driven by the rational self-interest ('utility maximization') of individuals to get the best deal from what they do. In this framework, competition in market exchange— the acts of selling and buying— is the engine of efficient resource allocation and use in the narrow sense, *static* allocative efficiency¹. That is, different actors face appropriate signals and incentives, such as through market prices which reflect preferences, constraints and resource endowments, thereby creating basic conditions for faster and sustained economic growth.

Maximizing markets

In the most extreme version of market-friendly perspectives, which gained force particularly from the 1980s, markets should be as little regulated, or 'distorted', as possible. The notion of distortion itself derives from the concept of competitive equilibrium. While this approach, commonly labelled 'neoliberal', expects unregulated markets to yield static allocative efficiency, it can also recognize that distributional inequality may be an outcome of free market forces.

However, advocates of the neoliberal approach would argue that: (i) resultant inequalities are not unfair as they reflect an impartial distribution of benefits, or 'rewards', according to the differential expertise and energies (e.g. 'entrepreneurship') of participants in markets; (ii) the dangers of strongly regulated markets for economic efficiency, and often for distribution too, far outweigh those of lightly regulated markets; and (iii) the trickle down effect of dynamic growth is that all become better off, albeit unequally so.

¹ Static allocative efficiency refers to the best distribution of resources at any given time given technologies and production functions. By contrast, dynamic productive efficiency refers to the process of technological catching-up that increases efficiency of production over time and leads to sustained productivity growth, a concept that is more central to the concept of economic development.

In its original diagnostics of rural development problems in Africa, the 'Washington consensus'² saw the principal cause of 'market failure' as state interventions in markets that 'distort' their proper functioning and benefits. The landmark 'Berg Report' (World Bank, 1981) argued that state regulation of domestic and international trade, fixing of exchange rates, administered prices for many crops, and highly inefficient subsidies and extension services, were negative for farmers in SSA, imposed disincentives to produce more, and more efficiently, and hence depressed agricultural livelihoods and rural incomes more generally.

Moreover, the report argued that these sectoral and macroeconomic interventions manifested an urban bias whereby agriculture was heavily taxed in favour of inefficient emerging industries promoted by misguided nationalist interventions. The solution was the structural adjustment programmes of the 1980s and 1990s, which aimed to enforce the policies of the Washington consensus through new aid conditionalities. For agriculture specifically, this meant rolling back both state provision of farm inputs and marketing of outputs as key steps towards 'getting the prices right', and not least the elimination, reform or privatization of state marketing boards.

Market deregulation and competitive market prices were seen as essential conditions for stimulating agricultural production and trade, thereby contributing to overcoming rural poverty. The 'rural poor' – typically conflated with smallholder farmers – were expected to benefit as better functioning markets would lead to higher farm gate prices and wider markets. Indeed, this approach can also encompass a view of rural poverty resulting from lack of integration in markets, and hence advocated proactive measures to provide access to markets for those otherwise 'excluded' from the benefits of market participation. In testament to this, the phrase 'linking smallholders to markets' is one of the most frequently used in mainstream accounts of agricultural development projects since the 1990s.

Since structural adjustment in the 1980s and 1990s, agricultural liberalization has proceeded unabated through different waves of market reforms: from the abolition or reinvention of former state marketing boards, to the gradual deregulation of most agricultural prices, to the privatization of countless rural development agencies and institutions (notably agricultural advisory services), to the rise of market information systems, and to the growing commodification of all spaces of rural life.

At the same time, the 'maximizing markets' view that has dominated policy agendas since the 1980s has been partially qualified, or 'softened', over the last two decades – even though the supposed benefits of two decades of market liberalization still feature in flagship reports at the World Bank (cf Anderson *et al.*, 2009). An initial 'market fundamentalism' (Stiglitz, 2004) has given way to a less radical take on the state–market dichotomy, without abandoning the centrality of markets for rural development. This is reflected in what we call the 'markets plus' approach.

'Markets plus'

Concepts of market failures and common reasons held to explain them beyond the 'distortions' of state interventions in markets, such as high transaction costs and information asymmetries, provide the basis for much economic investigation of markets today. They also inform much policy prescription which aims to bring 'real' markets as close as possible to the functioning of the abstract 'market principle'.

Influenced by new neoclassical development economics (Byres, 2003a), itself strongly influenced by new institutional economics (cf Kydd *et al.*, 2002), leading development agencies in Africa have proposed alternative institutional arrangements to address market imperfections, stimulate production and overcome rural poverty. These agencies include the World Bank, the UN Food and Agriculture Organization (FAO), the European Union and bilateral agencies.

Much of the World Bank's current empirical work on agrarian issues is still framed through conventional neoclassical agricultural economics while introducing elements of the post-Washington consensus.³ This approach maintains the standard state–market dichotomy but warrants a greater role for governments through the need to 'establish the basics' of macroeconomic stability, rural infrastructure, water access, education and health. Following this is a sequence of interventions that include measures for market access (such as information provision and contract farming) and institutional innovations for providing inputs and carrying out risk management (Dorward *et al.*, 2004). Some institutional innovations and related reforms have formed part of the broader 'good governance agenda' that has dominated mainstream development thinking since the early 2000s (Oya, 2011).

² This remains a contested term as evident from the exchange between Williamson (who coined it) and Stiglitz (Williamson, 2004; Stiglitz, 2004). The slightly narrower definition used by Stiglitz is adequate for the purposes of the analysis in this paper.

³ See Stiglitz (2004) for a definition and Fine (2001) for a critical review.

The post-Washington consensus (PWC) version of 'markets plus' is partly a response to a large body of critical literature that documented the growing 'marginalization' of smallholder farmers in the wake of liberalization reforms of the 1980s and 1990s.⁴ A key theme in this new mainstream variant is the incorporation of smallholder farmers into markets and, more specifically, into 'global agrifood chains', one of the key topics in the *World Development Report 2008: Agriculture for Development* (World Bank, 2007).

This theme encompasses various recommendations for market intervention by government and/or civil society to enhance the prospects of particular categories of market participants, like 'small' farmers. Thus the notions of 'participation' and 'empowerment' are mainstreamed in an emerging narrative that constitutes what Ellis and Biggs (2001) called the paradigm of 'agricultural growth based on small-farm efficiency'. These 'empowering' and 'enabling' measures are typically 'non-market' in character; they are expedients, of shorter or longer duration, to improve benefits for targeted categories of market participants. 'Market plus' recommendations occupy a wide range of proposals: from the post-Washington consensus 'mainstream' approach to more radical ideas. Central to all these views are claims to make markets more 'pro-poor'.

Paradoxically, with the arrival of a more state-friendly (or less state-unfriendly) PWC, spaces for privatization and deregulation have expanded. Governments in developing countries are now promoting as part of their core services private sector and non-governmental organization (NGO) delivery of extension services and research, typically and historically seen in other parts of the world (now developed countries as well as fast-growing East Asian economies) as part of core government services (Chang, 2009). The effectiveness and relevance of such services is expected to increase insofar as they are 'demand-led', i.e. driven by the needs of farmers. In other words, agricultural knowledge and technology become increasingly commodified as part of the efforts to 'link smallholders to markets'.

The market also finds other spaces vacated by the withdrawal of State Marketing Boards e.g. in credit and insurance markets. Thus, preferred institutional innovations at the World Bank and like-minded institutions include popular weather-indexed insurance schemes or warehouse receipts (World Bank, 2007; Dercon, 2005; Dercon *et al.*, 2014) in which private providers are expected to play a leading role.

Many of the above-mentioned interventions and new ways of thinking about states and markets in agriculture fall under the increasingly popular category of public-private partnerships (PPPs). These partnerships generally attempt to align private sector incentives with public policy goals, particularly for services and public goods designed to benefit the rural poor and smallholder producers (Poulton and Macartney, 2012).

Public-private partnerships have already existed in non-agricultural sectors like health, road construction, water and education infrastructure (Warner *et al.* 2008). Much of the excitement and case for PPPs rests on a number of assumptions about the relative efficiency of state and private institutions and the compatibility of interests in cases that can contribute to the expansion of public goods. As a result, a large amount of donor funding is going to establish PPPs, as a solution to the market failures clearly exposed by the rapid market liberalization of the 1980s and 1990s.

For agriculture, there are various types of PPPs, each addressing a particular kind of market failure. These include capital investment, such as roads and agricultural infrastructure; service delivery, notably extension services (as noted above); input vouchers; research on seed varieties; and guarantees for loans to producers, traders and stockists. As Poulton and Macartney (2012) document, evidence for the effectiveness of these interventions is scarce, despite an increase in the funding and number of such interventions. While some authors (Narrod *et al.*, 2009) cite a few examples of success in PPPs to help smallholders meet food safety standards in India (grape exports) and Kenya (green beans), Poulton and Macartney (2012) conclude that PPPs may not be able to solve many of the market failures they address. This is down to contexts of unpredictable and incoherent public policy, which abound in Africa, and limited state capacity and willingness to design and manage effective PPPs. Politics indeed matters, and relying on simple 'technical' solutions based on assumed mutual compatibility of incentives may be naïve.

One of the key tenets of the 'markets plus' PWC approaches and PPPs is the role of 'information asymmetries' and other information imperfections, which often lead to 'principal-agent' problems and abuses in the unregulated market systems. Institutions have made significant efforts to improve market information and to establish innovative mechanisms that allow small farmers to access such information in remote places, often taking advantage of wider access to mobile phones, through text messaging, for example.

⁴See Havnevik *et al.* (2007) and Oya (2007a) for surveys of this literature for Africa.

A pioneer in this regard is the Ethiopian Commodity Exchange, a typical public–private partnership enterprise, inspired by its founder and former CEO Eleni Gabre-Madhin, who is planning to help establish more commodity exchanges in other countries (Gabre-Madhin, 2012, and 2001 for earlier discussion of the theoretical underpinnings of this intervention).⁵ The basic assumption is that poor smallholder farmers need only timely and free information to make adequate marketing decisions. When the impact at an individual level is aggregated at regional and national levels, the result is expected to be much better market articulation and integration, one of the key deficits in the agricultural liberalization reforms of the 1980s and 1990s. This a good example of the preoccupations of mainstream institutionalist economists like Gabre-Madhin and of much research in institutions like the International Food Policy Research Institute and Michigan State University, which are highly influential in studies of African agriculture, especially concerning agricultural markets and rural livelihoods.

'Linking smallholders to markets' also implies some institutional actions that require collective action and the organization of otherwise highly vulnerable farmers (Vorley *et al.*, 2007). Two types of related interventions stand out in the 'market-plus' approach: contract farming (outgrowing schemes) and producer organizations. It is striking that pre-liberalization state marketing boards frequently operated vertically integrated contract farming, and more often than not organized marketing systems around rural cooperatives precisely to reduce transaction costs (Lele and Christiansen, 1989; Little and Watts, 1994). The key difference now is that marketing systems are increasingly led and organized by the private sector, including emerging arrangements for supermarket sourcing, or civil society organizations (NGOs) (Weatherspoon and Reardon, 2003; Neven *et al.*, 2009).

Generally, the new systems have limited outreach, and are driven by profitability and risk, compared to former state marketing boards whose mandate was to provide services for all farmers. Contract farming schemes often result in anti-competition biases through market-defying interventions: corporate buyers attempt to avoid the risk of side-selling by hard-to-monitor scattered smallholder farmers through contracts that demand exclusivity and associated penalties, resulting in monopsonies in large territorial 'concession areas' (Oya, 2012; Little and Watts, 1994).

Producer organizations are often designed to circumvent private intermediaries in order to add value to producers' output, as in 'smallholder-friendly' lobbies like Fairtrade. However, there is little evidence that these initiatives reach all strata of rural society and an elite-bias may be quite common (Bernard and Spielman, 2009; Liverpool-Tasie, 2014; Vorley *et al.*, 2012). Most of these interventions are presented in the form of 'win-win' scenarios and attempt to make the survival of smallholder farmers compatible with the growing expansion of global agribusiness in African agriculture. But these 'win-win' solutions must always navigate the tension between improving 'market access' and introducing non-market drivers that stifle competition.

The 'win-win' innovations proposed are at the 'market-friendly' end of the spectrum of 'markets plus' recommendations. More radical market reform includes types of collective action, often 'from below', albeit supported 'from above' by states. This action aims to strengthen the position of small farmers as participants in markets by, if necessary, subordinating mechanisms of competition and/or more powerful market actors to forms of positive discrimination in favour of small producers and the rural poor more generally. In short, and for present purposes, reform becomes more radical the more that non-market factors and processes are advocated. As the scope of the non-market factors is enlarged at the expense of market dynamics, then it can begin to overlap with anti-market perspectives.

⁵ The Ethiopian Commodity Exchange (ECX) has a wider range of objectives both at macro and micro level. At macro level, the main rationale was to set up an institution that could centralize information on agricultural markets and particularly for export crops like coffee, which are central to Ethiopia's quest for foreign exchange. In addition, and as suggested in their own website (<http://www.ecx.com.et/>), ECX is expected to contribute to providing buyers and sellers of agricultural commodities with 'assured quality, quantity, payment, and delivery', through a process that amounts to having much more control over all agricultural market intermediaries and their operations. This is expected to reduce or even eliminate abuses – cheating and non-payment – which often characterize the malfunctioning of unregulated agricultural markets in many poor agrarian economies.

3

Market-challenging perspectives

Probably the highest profile challenge to mainstream market perspectives today is that associated with notions of ‘food sovereignty’ (FS), defined as:

“the right of nations and peoples to control their own food systems, including their own markets, production modes, food cultures and environments...as a critical alternative to the dominant neoliberal model for agriculture and trade” (Wittman et al., 2010, p. 2).

The FS perspective thus resonates a broad rights-based approach that derives from a concern with social justice, and the needs of (especially small) farmers in the global South. Arguably, the starting point of this perspective, both analytically and historically, is its implacable opposition to the liberalization, or globalization, of international markets, considered to underpin the functioning of an international food regime or system dominated by ‘corporate industrialized agriculture’ to the detriment of small farmers in the South (or everywhere).

This perspective is strongly, if not exclusively, associated with Via Campesina (VC), which describes itself as the ‘International Peasant’s Movement and the ‘International Peasant’s Voice’. VC claims to be the largest transnational social movement in the world today— a ‘pro-poor peasant movement made up of more than 200 million members in 79 countries’— with its

secretariat currently based in Zimbabwe.⁶ Its African wing believes in

- Championing Small African Family Farming/ production Systems based on agro-ecological and Indigenous approaches that sustain food sovereignty and the livelihoods of communities while not neglecting other appropriate farming models;
- Resisting the Corporate Industrialization of African agriculture which will result in massive land grabs, displacement of indigenous peoples especially the pastoral communities and hunter gatherers and the destruction of their livelihoods and cultures;
- African driven solutions to problems in Africa and a belief in the richness of ourselves.⁷

As this statement shows, opposition to ‘globalization’ is not just about combating liberalized commodity trade, and calling for the regulation of foreign trade more or less extensively to promote local or national food production, at the cost of export production if necessary. In fact, the hostility to ‘corporate industrialized agriculture’ extends to the import or imposition of certain technologies developed and dominated by global agribusiness, such as GM seeds and other improved hybrid seed varieties; the import and/or domestic production of ‘globalized’ processed food staples and fast foods, driven by transnational agrifood companies and wholesale and retail

⁶ <http://viacampesina.org/en/index.php/main-issues-mainmenu-27/sustainable-peasants-agriculture-mainmenu-42/1493-building-a-peasant-revolution-in-africa>, accessed 09.02.2014.

⁷ http://www.africanbiodiversity.org/content/alliance_food_sovereignty_afsa, accessed 09.02.2014.

conglomerates; the sourcing of high-value horticultural products (fresh fruits and vegetables, cut flowers, and also aquatic commodities) by global agrifood companies, at the expense of domestic food production; and, highly topically and controversially, 'land grabbing' by corporations, sovereign wealth funds and other financial entities, much of it driven by an interest in 'capturing' extensive land areas and water resources for large-scale export production of food and biofuels.

Combined with this stance, there is a strong ecological current in FS which advocates a virtuous model of low external-input farming (the 'peasant way'), and the protection and promotion of indigenous ways of farming and of biodiversity. This counterposes the environmentally and socially destructive realities of corporate industrialized agriculture that is highly dependent on external, and often imported, inputs, and that privileges large-scale over small-scale agriculture.

What alternative perspectives on markets are suggested by FS? Most evidently, FS as the right of nations and peoples to control their own food systems entails rigorous national regulation. This is necessary to control effectively foreign trade in food and other agricultural commodities, both imports and exports, as well as the interest of foreign capital in selling energy-intensive inputs and buying, or otherwise acquiring, large areas of land and water resources for the production of food, biofuel and livestock.

The envisaged nature and role of domestic markets in facilitating self-sufficient and sustainable food production and consumption within countries is less developed in FS; 'the right of nations and peoples to control... their own markets' is so far more of an aspiration than a strategy. One strand of FS is to centre the notion of 'the peasant way' on subsistence production by farming households and communities—that is, growing enough food for their own needs with at best some surplus in good years. This may generate an attractive image of very localized self-reliance and 'autonomy'—a much favoured term in the FS discourse (Ploeg, 2008: 2013) along with 'local' and 'indigenous' or 'traditional'—but begs the question of where the food will come from to supply those who do not grow enough for their own consumption. The latter includes, as is increasingly recognized, the very large numbers of the rural poor who purchase at least a substantial part of their food needs, as well as the burgeoning urban populations of SSA. It is also not clear how an ambitious programme of state or donor support to such forms of food production and distribution would be resourced in terms of finance, logistics and labour.

A second strand concerning the 'market question' in FS is to recognize small farmers as actual or potential producers of food staples surplus to their own needs, and who are capable, through collective action, of negotiating the terms of their participation in markets, and indeed influencing those terms to their advantage. They may do this through overcoming the constraints of 'price-taking' by organizing cooperatives, by creating their own 'nested markets' that connect them directly with consumers, or by augmenting incomes from farming with cooperative processing and other value-adding activities and services, like 'eco-tourism'. Such arrangements aim to facilitate the distribution of food and hence differ in purpose and organization from other kinds of measures aimed at improving the returns to smaller producers of export crops, like various Fairtrade schemes.

The message of VC is anti-capitalist, at least in reference to capitalist globalization (neoliberal globalization). It is not necessarily anti-market as its vision of FS can encompass a role for domestic markets, even if, as noted, this has not been elaborated or tried and hence remains an aspiration within the framework of its methodological nationalism. Moreover, those 'alternative' markets have to be organized in ways that reward the efforts of small farmers as well as supplying adequate, healthy and affordable food to poorer consumers, both urban and rural. This is challenging, to say the least, and assumes a potential congruence in the interests and preferences of these different constituencies.

So, what is the significance of FS (and *Via Campesina*) to current debates on agricultural policy in and for SSA, and the question of how much markets should rule? Some commentators (Dorward, 2009; Wiggins, 2009; Murphy, 2012) observe that there is space for a dialogue, mainly because aid agencies and governments are more self-critical in the wake of the global financial crisis and, more specifically, the world food 'crisis' of 2007–2008 and its aftermath including arguments that this was substantially provoked by speculative trading in agricultural commodity futures and the continuing price volatility of internationally traded food and feed commodities (Ghosh, 2010). The concerns that have arisen easily connect with, and are reinforced by (not least for VC), longer-standing issues like climate change and environmental sustainability, the reduction of rural poverty and the future of small-scale farming, and also, of more recent provenance, the controversies over land grabs.

Via Campesina has achieved a high political profile with perhaps some impact on official development institutions; for example, in its new accord with the FAO (“a milestone in the partnership between FAO and civil society organizations”⁸), and its central involvement in an ongoing campaign to enact a UN declaration, and eventually convention, on the rights of peasants (Edelman and James, 2011). As a political project, VC encourages and supports resistance to such features of globalization as the ‘dumping’ of cheap food imports, new technologies like GM seed and the corporations that promote them, ‘biopiracy’, and, of course, land grabs.

This resolute opposition to global markets, the corporations believed to control them, and the international institutions held to regulate them in the interests of corporate capital (notably the WTO) represents the most radical challenge of VC to mainstream perspectives that both embrace international markets and seek to find ways that make them ‘work better for the poor’, and specifically small farmers. In this sense, VC not only thinks the ‘unthinkable’ but seeks to act on it.⁹

On the other hand, there appears more scope for an interchange between some of VC’s ideas about promoting domestic food markets and supporting small-scale farmers, and the mainstream embrace of markets. Indeed, they both share a ‘small-farm-first’ discourse which has dominated the rural development landscape for the past 60 years (Ellis and Biggs, 2001, p. 440). This is especially so as the market-friendly mainstream approach tries to incorporate, at least discursively, civil society organizations as key actors in development processes in the interests of ‘good governance’, ‘participation’, ‘empowerment’ and ‘traditional’ or ‘community’ social practices and values, as an element in building ‘social capital’.¹⁰

For example: self-organized ‘farmer-to-farmer’ networks for the exchange of seed and farming knowledge that feature strongly in FS advocacy (Holt-Giménez, 2006),¹¹ the rehabilitation of soil and water resources that deploy (labour-intensive) indigenous or local technologies and knowledge (Reij *et al.*, 2009; Woodhouse, 2012), and cooperatives to buy and distribute inputs, bulk up crops for sale, invest in value-adding activities, and negotiate on behalf of small farmers with private firms and with government.

Via Campesina’s project and embrace of FS— and the reasons why, and degrees to which, it may be considered ‘quixotic’ or ‘emancipatory’ (Edelman and James, 2011) —will continue to be strongly argued. Some of the issues include more general and longstanding debates about the virtues and benefits of small-farm or large-farm paths of agricultural development. Here, VC’s commitment might allow limited alliances, at least, with some in more mainstream circles (for example, Wiggins, 2009) in common cause against advocates of a large farm path (for example, Collier and Dercon, 2009).

The hostility of VC towards liberalized global markets and corporate agribusiness is much less likely to find any allies in the mainstream, despite the latter’s occasional expression of concern about agricultural subsidies in OECD countries and some of the mechanisms and effects of contemporary financial markets. However, as we noted, on the ‘civil society’ side there may be quite specific types of practice and organization advocated by VC which connect with more mainstream positions.

In our view, what remains missing in the encounters and collisions of VC and FS on the one hand, and the mainstream perspective that embraces markets on the other, is some of the concepts and methods of political economy which provide a deeper and sharper approach to grappling with ‘real markets’. It is these concepts that we turn to next.

⁸ <http://www.fao.org/news/story/en/item/201824/icode/>, accessed 15.06.2014

⁹ What is ‘unthinkable’ in today’s discourse and its conditions of existence is acknowledged by Wiggins (2009, p. 12) who observes that “the kind of support to farmers seen in Asia in the past, particularly subsidies on fertilizer, irrigation water and rural power, is unthinkable today”.

¹⁰ And ‘empowerment’, a point at which some FS advocacy overlaps with an older prescription concerning the rural poor, namely ‘putting the last first’ (Chambers, 1983).

¹¹ For African examples, some of which articulate ‘peasant emancipation’ from NGOs, see <http://viacampesina.org/en/index.php/main-issues-mainmenu-27/sustainable-peasants-agriculture-mainmenu-42/1493-building-a-peasant-revolution-in-africa>, accessed 09.02.2014. Note too the strongly political conception of ‘farmer-to-farmer’ networks, well articulated by Holt-Giménez (2006) and by Kloppenborg (2010) with reference to seed sovereignty: that is, as a vehicle of farmer self-emancipation from the ‘rule of (ostensible) experts’ in government extension services and the sales teams of seed and other agribusiness companies.

4

The political economy of ‘real markets’

The object of agrarian political economy is usefully defined by *The Journal of Agrarian Change* as “the social relations and dynamics of production and reproduction, property and power in agrarian formations and their processes of change, both historical and contemporary”. Investigating those relations and dynamics, and the diverse practices and social forms through which they are manifested, is informed by four key questions of political economy (Bernstein, 2010):

1. Who owns what? (social relations of property).
2. Who does what? (social divisions of labour).
3. Who gets what? (social distribution of the product of labour).
4. What do they do with it? (reproduction of producers, non-producers and the means of production; consumption and investment/accumulation).

These are analytical questions that point to social differences and divisions of class and gender above all, and can apply to social entities at scales ranging from individual farming households to the global economy. In an era of capitalism, investigating the social relations and dynamics that shape farming involves attention to how farmers – of very different types and in very different ways – are constituted by their locations, both social and spatial, within generalized commodity relations; farmers are unable to reproduce themselves outside those relations, which are internalized in their activities and how they are organized. It is at this point, of course, that markets and market exchange, in all their variety, become central to considering the fortunes and prospects of different types and groups of farmers and workers in the current world economy.

In the face of the intrinsic complexity as well as diversity of markets and market exchange, which are subject to many determinations at various levels including global, national and local, agrarian political economy demands a method of investigating ‘real markets’ and their effects as distinct from idealized notions of ‘the market’, universal ‘market principles’ or conventional ways of modelling markets. Of course markets consist of sellers and buyers of different kinds of commodities (including the commodity ‘labour power’), and the political economy of ‘real markets’ concentrates investigation on the exchanges between sellers and buyers from highly unequal social locations, constituted by relations of property and power.

While mainstream analysis tends to think in terms of occupational categories and how they relate to each other in markets (producers, traders, processors and exporters, for example) a political economy of ‘real markets’ breaks down each of these categories in terms of their position in the social hierarchy and their relative power vis-à-vis others. The circumstances and prerogatives of poor petty traders are fundamentally different from those of large-scale wholesale traders and exporters (Meagher, 2003). In the same way, poor small-scale farmers who depend on various types of insecure activities for their survival are fundamentally different from more prosperous smallholders or middle- and large-scale farmers with the kinds of means of production, capital and transport that allows them to benefit from market access in ways that other producers cannot.

Highly unequal power relations between and within these broad categories have effects for the character and functioning of specific markets and their forms of regulation, and hence for the returns that different kinds of sellers and buyers derive from their participation in markets. Moreover, conventional meanings of market 'regulation' (and calls for 'deregulation') miss the vital point that "all markets are structured by state action: the only variation is how the terms of their variation are set" (Mackintosh, 1990, p. 50).

Our approach to 'real markets' rests on a substantial body of theoretical and empirical work by the authors (including Bernstein, 2010; 2013; 2014; Bernstein and Woodhouse, 2001; Oya, 2007b; 2012). It also draws on a well-known political economy of rural markets in South Asia (Crow, 2001; Harriss-White, 2008), and can only be stated selectively and schematically here. We prefer to use our limited space to illustrate aspects of this approach in terms of some central issues in understanding contemporary agrarian change in SSA which are not confronted adequately by the 'market-embracing' and 'market-challenging' perspectives discussed above.¹² In particular, we engage with: emerging ideas about 'informal markets' and whether they represent smallholders' agency for positive change; long-standing processes of social differentiation and how they intersect with 'real market' dynamics; and questions of livelihood diversification in light of the causes and consequences of rural social differentiation in the context of market liberalization.

Are 'informal markets' the way forward?

'Real markets' may be formal or informal, according to Vorley *et al.* (2012, p. 3), among others, who propose that "instead of how to make markets work for the poor, we need to look at how the poor make markets work for them".¹³ They distinguish this stance on the agency of poor farmers in their own empowerment as market actors from the views (i) that integration in global and national value chains via formal markets is the way forward for most small farmers (as discussed above), and (ii) that rights-based approaches downplay agency in market production and exchange. They see informal markets—'markets in the spaces outside the formal economy' (ibid, p. 19)—as the environment most suited to the agency of small producers in a world economy which, moreover, exhibits an 'upsurge in informality' (ibid, p. 24).

Despite the authors' best intentions, informal markets continue to be conceived as a residual of formal markets', and in so encompassing a manner (like the residual term of most such binaries) as to limit useful application to the great variety of 'real markets' and their forms of unequal market power.

Markets and the social differentiation of small farmers

The intersection between dynamics of 'real markets' (regardless of their relative degrees of formality) and agrarian change places social differentiation in the countryside at the centre of analysis in agrarian political economy. To be sure, it has become more common recently to acknowledge the 'heterogeneity' and 'differentiation' of small farmers (Vorley *et al.*, 2012; Jayne *et al.*, 2003; Wiggins, 2009; Dorward, 2009; Dorward *et al.*, 2009; Andersson-Djurfeldt, 2013; 2014), sometimes together with a recognition that many or most of them are not able to prosper in the conditions of today's 'real markets'. For example, in a paper arguing for a viable future for small-scale farming in SSA, Wiggins (2009, pp. 14, 15, 16) suggests that the "bulk of marketed output from small farms comes from those that are towards the upper part of the range", that "most of the increased production, and hence increased earnings will accrue to only a minority of small farms", and that "it is likely that it will be a minority of small farms that see the bulk of added production and sales".

These are salutary steps beyond inherited assumptions within social science and policy discourses of small farmers as an essentially homogeneous category of producers and market actors. They do not, however, point in the direction of *explaining* differences among small farmers in terms of the resources they command (notably but not exclusively land and labour) and the connected issue of their relative strengths or weaknesses in markets (however informal).

A key step in that direction is to consider how 'heterogeneity' *within* the same populations of 'small farmers' might be the effect of tendencies towards systematic, and indeed systemic, *class* differences and differentiation among them. As commodity producers/market actors within generalized commodity relations, they have to reproduce both their means of production (tools, seeds, fertilizer) and themselves (everyday

¹² It is also important to emphasize the lack of systematic empirical evidence, as well as common problems of method, in research on agrarian change in SSA, not least the operations of its changing 'real markets' (Oya, 2013; Cramer *et al.*, 2014).

¹³ With a strong echo of the perspective of de Soto (1989), Vorley *et al.* (2012) is a summary of findings from the Knowledge Programme on 'Small Producer Agency in the Globalised Market', a joint initiative of the International Institute for Environment and Development and HIVOS.

consumption and generational reproduction).¹⁴ Some, typically a minority, are able to accumulate resources and to enlarge their scale of farming, eventually becoming capitalist farmers; others manage to reproduce themselves as both capital and labour at a constant level; while many, in some countrysides a majority, are unable to reproduce their means of production and hence have to look for other sources of income than their farming to survive.¹⁵

This perspective on class differences/differentiation among small farmers, presented so schematically here, can bear at least a little elaboration within the current limits of space. First, the necessity for 'small farmers' to reproduce their means of production can involve them in sometimes intense local competition over resources of land and labour, which both reflects and further stimulates processes of their class differentiation. Competition over land for cultivation and/or livestock does not require formal markets and land title but is typically pursued through 'vernacular land markets' in SSA (Chimhowu and Woodhouse, 2007). As a local village capitalist in northern Uganda in the early 1980s said, in a vivid expression of class differentiation: "What helped us [to accumulate] was the famine of 1980. People were hungry and they sold us things cheaply [including land and cattle]. That is when we really started buying." (Mamdani, 1987, p. 208).

Second, the need for some small farmers to sell their labour power to others who employ wage labour on their farms is also manifest in highly informal labour markets pervasive in rural SSA, however neglected by researchers, development practitioners and policymakers (Oya, 2013). Command over labour is also highly gendered in rural SSA, of course, as are other aspects of relations of production, reproduction, property and power among small farmers. A third and ubiquitous issue then is how class and gender differentiation in farming intersect and combine (O'Laughlin, 2007).

Fourth, access to food and the class dynamics of food markets also have serious implications for processes of social differentiation and impoverishment of the most vulnerable. Thus, deepened differentiation resulting in episodes of starvation are intimately associated with the functioning of 'real markets' in the context of very unequal levels of power between accumulating classes (often involved in the food trade) and extremely deprived people dependent on food market purchases for their survival, as documented in the case of recent famine episodes in Niger (Oya, 2010).

Finally, as a corollary of all these phenomena, few small farmers in SSA (and few farmers anywhere in the world) reproduce themselves *solely* through their own farming. It is this topic of 'livelihood diversification' or so-called 'pluriactivity' that we comment on next.

Markets and 'livelihood diversification'

The diversification of rural livelihoods, sometimes termed 'pluriactivity' or referred to as 'de-agrarianization' – the combination of farming with off-farm activities in a range of markets – is widely recognized (see Ellis, 1998; Bryceson, 2002, Barrett et al, 2005, for comprehensive reviews). The potentially synergic linkages between agricultural and non-farm activities have also been acknowledged by the literature for some time (Haggblade *et al.*, 1989). Vorley *et al.* (2012) note that "small farmers may act, serially or simultaneously, in markets, both rural and urban, formal and informal, or local and global" (p. 17), and that "smallholders as a group get large portions of income outside agriculture" (p. 9).

This has also a spatial dimension that goes beyond the 'rural', as Andersson-Djurfeldt (2014) argues: "The emergence of multi-local livelihoods, hence, is tied to growing insecurity in both rural and urban areas, making the classical distinctions between rural and urban obsolete, at least in the realities of the lives of the poor" (p. 3). Many small farmers in various areas of SSA have indeed long combined the incomes from 'wage and hoe' (Cordell *et al.*, 1996), and such diversification is no doubt growing in importance. Allowing for the dangers of such 'jumbo' statistics, the World Bank (2007, p. 205) suggested that the share of the adult rural population in SSA with own-account farming as its *primary* economic activity, while the highest of any region, is just over half for both men (56.6 percent) and women (53.5 percent).

However, patterns of diversification, the reasons for them and the kinds of market activity they encompass, are shaped by the processes of differentiation discussed above. Diversification may be driven by imperatives of both accumulation and survival, which depend on 'real markets' in different ways and on different terms. Capitalist farmers emerging from the ranks of smallholders often invest in activities ancillary to farming like crop trading and processing, rural retail trade and transport, and advancing credit, as well as

¹⁴ This does not mean that they necessarily reproduce themselves entirely through commodity exchange (does anyone?) but that they cannot do so outside commodity exchange/markets, even when they 'are not fully commercialised' (Vorley *et al.*, 2012, p. 9).

¹⁵ This classification corresponds to, and reformulates, 'classic' schemas of the class differentiation of rich, middle class and poor 'peasants', the last sometimes termed 'marginal farmers' (see Bernstein, 2010; Byres 2003b; NCEUS, 2007). In a different vein and within a different analytical framework, Dorward (2009) and Dorward *et al.* (2009) write about livelihood strategies of the 'poor' as choosing between 'hanging in', i.e. maintaining/protecting social reproduction, 'stepping up', i.e. accumulating and expanding within one's own set of activities, and 'stepping out' as accumulating into different livelihoods. Of course, these are no more than aspirations and often people may "fail in these strategies, and 'falling down and/or out' is all too common" (Dorward, 2009, p. 136).

renting out draft animals and tractors or selling irrigation water (Oya, 2007b). They also invest in urban activities, education for their sons and good marriages for their daughters, alliances with government officials, and in political processes and influence more generally. In short, they engage in 'diversification for accumulation' (Hart, 1994).

Medium smallholders typically rely on combining farming with 'off-farm' activities, including labour migration, as a source of income to invest in farm production, especially when its costs of reproduction are rising (Neven *et al.*, 2009). Their farming practice also typically rests on the capacity to hire wage labour, provided by landless workers or marginal farmers (who are often migrants); in short, those 'too poor to farm' on a scale necessary for their reproduction. Wage labour may be hired to replace family labour that is engaged in other 'off-farm' activities or to augment family labour at moments of peak demand in the farming calendar for activities like weeding and harvesting (Kevane, 1994; Mduma and Wobst, 2005; Oya, 2013).

Diversification by poor or marginal farmers for reasons of survival, primarily through seeking wage employment – however insecure, poorly paid or hazardous – is now acknowledged, however belatedly, by

organizations like the International Fund for Agricultural Development (IFAD) which noted that the rural poor "live mainly by selling their labour-power" (IFAD, 2001, p. 230) and the World Bank (2007, chapter 9). This recognition has led Olivier De Schutter (2009) to suggest that "the distinction between waged workers and farmers is breaking down" (cited by Vorley *et al.*, 2012, p. 9), which we would agree is the case for poor farmers in SSA.

By considering livelihood diversification through the lens of rural social differentiation, we can get a more accurate picture than we would by simply applauding diversification as the agency of small farmers and analyzing the role of markets in terms of how they support or constrain diversification.¹⁶ While it is true that "migration and off-farm jobs are not necessarily movements out of farming" (*ibid.*, p. 15), the ways in which, and the degrees to which, market activity outside farming supports farm investment and growth, and for whom, should also be investigated and specified through the patterns and dynamics of differentiation. It cannot be assumed that labour migration and wage work demonstrate a commitment by all classes of rural populations to farming as their preferred vocation.¹⁷

¹⁶ For example: "Diversification brings versatility and resilience; small farmers can, and do, reinvent themselves frequently in the face of change by adjusting their portfolios of activities" (Vorley *et al.*, 2012, p. 17).

¹⁷ As suggested for rural labour migration in China, for example, by Ploeg and Ye (2010).

5

Conclusion: policy, reality and paradox

We indicated above the policy implications of ‘market-friendly’ (or ‘market-embracing’) and ‘market-challenging’ perspectives. The former are premised on the view that market dynamics of competition, and its incentives and rewards for entrepreneurial activity, are the drivers of economic growth. Its policy implications thus centre on a range of measures, which have been illustrated: (i) to remove/reduce obstacles to better functioning markets, notably various forms of ‘distortion’ generated by state regulation and interventions more generally; and (ii) to strengthen markets through specific institutional reforms and innovations, in this case through improving the conditions of participation by small farmers. Market-challenging perspectives contest current dynamics attributed to neoliberal globalization, in the interests of small farmers, the rural poor, and the poor more generally. Their policy implications centre on: (i) means to control the negative effects of international trade and inward investment, and their ‘distortions’; and (ii) building on actual or potential resistance of small farmers to globalization through social movements committed to alternative ways of production and exchange, of which food sovereignty is emblematic.

At the same time, we have observed some of the realities of policy as a discursive realm in which proposed ‘innovations’ so often mask fundamental continuities; for example, the much-debated shift from a ‘Washington consensus’ to a ‘post-Washington consensus’. Moreover, it has become increasingly clear to us that both market-embracing and market-challenging perspectives achieve their conceptual congruity – a very different matter from their effectiveness in practice – through the lack of distance

between their analytical frameworks and their policy prescriptions. The connection in one case is faith in the virtues of markets, in the other case, it is faith in the virtues of small farmers as exemplars of ‘the peasant way’.

Can the policy implications of agrarian political economy be similarly deduced? Paradoxically perhaps, the political economy view of real markets we have proposed is much more agnostic about policy ‘solutions’ than the market-embracing and market-challenging perspectives. Although there are some common traits among those who work within a political economy or heterodox development economics tradition, disagreements over the rationale and impacts of interventions and whom they target can be substantial. If there is a consensus among heterodox political economists, it is that state intervention in one form or another has been central to processes of structural transformation and indeed to agricultural transformations, whether for long-term agrarian transitions or medium-term agrarian development challenges (Byres, 2003b; Chang, 2009).

Stressing the centrality of state intervention in rural development does not necessarily mean fewer markets, as in a zero-sum game; since state interventions can contribute to the creation or transformation of markets, and since political economists generally do not accept an analytical dichotomy of state versus market. The key questions are ‘markets for whom?’, ‘state interventions on whose behalf?’, ‘for whose benefit?’, and ‘with what likely effects?’ This is where disagreements emerge, especially in relation to the type of development

aspirations and agrarian model that are favoured. Thus, while many radical scholars, particularly on the Indian Left, favour a state that directly supports small farmers by subsidising and protecting them from the tentacles of neoliberal globalization, or more radical collective solutions in a Maoist tradition, others are far less convinced by continuous, and ultimately ineffective, support to a small-farm development path. Instead, they advocate state interventions that foster and at the same time discipline the development of capitalism in agriculture.¹⁸

¹⁸ For a discussion of the complex politics of small farming (petty commodity production) in India see Harriss-White (2012) and her discussion of Williams's (1982) arguments for Africa in relation to the Indian context. For the non-pro-small farmer policy perspectives see Sender and Johnston (2004) and other contributions to the special issue on land reform in the *Journal of Agrarian Change* 4 (1, 2) in 2004.

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The paper distinguishes different approaches to markets in, and affecting, rural sub-Saharan Africa, and present some associated policies, notably 'market-friendly' and 'market-challenging'. We then propose a political economy approach as a more satisfactory way of grasping the complex social dynamics of 'real markets' and their forms of unequal power. This is illustrated in relation to the class differentiation of 'small farmers' and its effects for rural 'livelihood diversification'.

IIED is a policy and action research organisation. We promote sustainable development to improve livelihoods and protect the environments on which these livelihoods are built. We specialise in linking local priorities to global challenges. IIED is based in London and works in Africa, Asia, Latin America, the Middle East and the Pacific, with some of the world's most vulnerable people. We work with them to strengthen their voice in the decision-making arenas that affect them – from village councils to international conventions.



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