Introduction: the evolution of neo-liberal approaches towards rural development

Since the inception of development economics as an acknowledged academic discipline in its own right, the challenges of rural development have attracted great academic and political attention. Yet, in view of persistent and largely unchanging poverty levels – and poverty being an overwhelmingly rural phenomenon (IFAD 2001) – it becomes apparent that these problems remain largely unresolved to this day, and they continue to constitute some of the most trenchant issues of economic development, particularly with respect to Africa.

The concern with rural development has undergone varying trends and at times, it certainly was not on the top of the development community's agenda. Especially in the 60s and 70s, having just experienced a boost in national confidence through achieving independence, African hopes were lying on the goal of industrialisation. Many African governments, often with the support of IFIs and Western governments, attempted to establish industrial policies like import substitution industrialisation, partly with the aim to create a pull-effect on the agricultural sector and its supply of surplus labour. This period is usually associated with a reduced attention towards rural development, famously associated with the term 'urban bias' coined by Michael Lipton (1977).

It was in the early 1980s and during the advent of structural adjustment policies when the African countryside began to reappear on the World Bank's and its peers' maps. Because of the dominant conviction that industrial policies had failed, together with the emerging dominance of conservative governments in many Western countries at that time, the ascent of neo-classical market fundamentalism was unrelenting. Given that 'comparative advantage' is one of the focal points in these theories,
the emphasis on agriculture in relatively land abundant Africa was the only logical consequence, which went hand-in-hand with a remarkable championing of smallholder farmers who were perceived as the only viable and competitive units of agricultural production in Africa and at the same time seemed to offer an ideal anchor for poverty reduction (World Bank 1982). The main underlying logic was that the removal of state interventions, which were regarded as inherently flawed and economically impeding, would ‘get the prices right’ for local producers, therewith allowing them to take advantage of free markets and use their comparative advantage to gradually work their own way out of poverty. After it became apparent that structural adjustment programmes (SAPs) failed to deliver the intended results in the early 1990s, with rural African farmers becoming increasingly impoverished and marginalised, gradual concessions were made. Nevertheless, the neo-liberal consensus prevented a discussion on the indispensable role of free market forces in the production process itself, and an increased role for the state in the provision of social services and protection schemes were considered the best compromise in order to mitigate the increasing rural poverty levels. The focus on macroeconomic liberalisation and smallholder farmers, however, remained widely unaltered. Hence, over a period of nearly 30 years the World Bank and its followers have maintained an approach towards rural development and poverty reduction that manifests a direct combination of neo-liberal ideologies of market liberalisation and a (neo-)populist idealisation of smallholder farming – or as Byres (2005) calls it: ‘neoclassical neo-populism’. As I intend to illustrate below, this proved to be quite a hapless marriage indeed.

The mounting inner contradictions of this approach recently culminated in the latest World Development Report 2008 (World Bank 2007b) which featured agriculture as its focus for the first time since 1982. Many commentators (e.g. Havenevik et al. 2007; Rizzo 2009) pointed to the report’s ‘apparent analytical and empirical incoherence’ (Oya 2009, p. 232), suggesting as it were that the Bank’s economists started to wave the metaphorical white flag by rather openly displaying a great amount of confusion and disorientation over the current processes of agrarian change in rural Africa (and the rest of the developing world, for that matter).

With this paper, I intend to highlight some of these inherent contradictions within the neo-liberal take on rural development by highlighting its origins and consequences, partly by using new micro-level data from rural Tanzania. The first section will give a theoretical overview and critique of the various inconsistent underpinnings that were gradually accumulated and eventually fed into the WDR 2008. Section two gives a brief outline and history of agricultural policies and rural development in Tanzania since independence, and complements this with the results of a range of previous rural studies. In the third section I present new data collected in 2008 highlighting pertinent contemporary trends in Tanzanian agrarian change, and focusing on the division of the rural labour markets between formal and casual ‘kibarua’ employment as an example how capitalist development incurs systematic socio-economic frictions. A reconciliation of new and old evidence on agrarian change in Tanzania concludes the paper.

_Dissecting the neo-liberal approach on rural development_
The underlying logic of the above-described mainstream approach on agricultural development is of course immediately recognisable (especially to economists), and also its historical evolution over the past decades arguably is directly traceable when taking into account the respective economic and geo-political realities at the time of its inception. That said, this does not bar the approach from being deeply inconsistent in itself, as it is based on two different strands of theories. Both of these can be challenged in their own regards and many debates are being fought on those grounds, but what is ultimately damning is the fact that they are hopelessly antagonistic, as can be demonstrated on theoretical and particularly on empirical grounds. As laid out above, these two conflicting viewpoints are on the one hand the neo-classical approach of market liberalisation, and the populist idealisation of smallholder farming on the other.

The application of neo-classical economic models to the context of rural development has of course been criticised repeatedly, despite a few consequential but moderate attempts to adapt and improve the original model, i.e. most prominently the switch from 'old' to 'new' development economics (Stiglitz 1986). Much of this criticism pivots around the problem that the neo-classical model is inherently ahistorical and tries to force perceived universal economic laws onto socio-economic systems that might be based on very different logics and relations (Bhaduri 1983). Adopting this criticism is of course not to say that African peasants would be irrational or not 'maximising their utility'. It merely stresses the fact that generally values, institutions, constraints and socio-economic relations (of power) in rural African contexts are greatly diverse and different from the standardised setting in which the usual economic models operate, thereby of course greatly altering the decision patterns and rendering the neo-classical model to a large extent inapplicable.

Another major point of criticism that directly follows from the above is the omission of any form or thematisation of socio-economic transition as part of the development process. Because of the assumptions in neo-classical thought that every individual is essentially 'working' along the same fundamental principle – utility maximisation – also the aggregates of individuals, i.e. societies, have to adhere to congruent principles as well. In other words, markets and capitalist relations of production and consumption are assumed to exist universally across time and space. This is a gross simplification of socio-economic and historic realities, and the process of development must of course by definition incur at some point or other a transition of the socio-economic relations, e.g. as modernisation theory would suggest from a 'traditional agrarian' to a 'modern capitalist' society. Though it is often fiercely debated how such transitions can or will occur in each individual case, it is nevertheless widely acknowledged among political economist that development must involve a "transition from one sort of economy and society to another. In the case of the Washington Consensus, apart from the goal of increasing per capita income, productivity, and so on, the nature of development has been more or less excised." (Fine 2005, pp. 5-6) The neo-classical ideology with its belief in gradual undisruptive improvement brought about spontaneously through market forces is therefore inherently unable to capture let alone explain a central problem of rural development.

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4 See Danielson (2002) for a recent update on this debate.
The second fundamental caveat on the neo-liberal agenda on rural development arguably is a bit more subtle than the overarching shortcomings of its neo-classical underpinnings. Largely as a result of the influential animadversion of the ‘urban bias’ in development policies of the 1960s and 70s by authors like Michael Lipton (1977) and Robert Bates (1988), the World Bank considerably revised their original approach and began to champion agriculture and particularly smallholder farming as the most viable and competitive form of production in developing countries, especially in Africa (World Bank 1982). The bulk of contemporary political attention continues to be focussed mostly on the small-scale, family-reliant farming household as the relevant social and productive unit, despite ample evidence to the contrary. This focus stems from two common neo-populist misconceptions, the first positive and the second normative in their nature:

1) smallholder agriculture continues to dominate rural African societies to this day; and
2) small-scale farmers are the most viable organisational form for agricultural production, poverty reduction and development in rural Africa.

If taken together, the logical consequence must be that the best path out of poverty and towards rural development must lie in the direct support for smallholder farmers, and all political effort that is concerned with agricultural production therefore has to concentrate on strengthening these farmers’ potentials. Unfortunately, both these tenets are based on very shaky foundations.

It is a common misconception that African agriculture mostly consists of small-scale farmers, who barely scrape through to secure their means of subsistence. This archetypical idea is of the ‘subsistence farmer’ who, together with his family, cultivates only for their own consumption and has no contact to the market beyond the odd sale of meagre surpluses. Building on the works of the neo-populist Russian economist Chayanov (1986, originally published in 1924 under the title ‘On the Theory of Non-Capitalist Economic Systems’), some authors idealised these farmers as being ‘uncaptured by the market’, therefore being independent and living in an ‘economy of affection’ driven by their ‘peasant mode of production’ (Hyden 1980, 1983; Waters 2007). This image of African farmers has been very formative not only for public perception of rural Africa, but also for the design of national and international agricultural policies and poverty reduction strategies by placing the small-scale farmers in their foci.

Unfortunately, this picture is as ubiquitous as it is misleading. Indeed, it has been shown that this ideal of an egalitarian tribal community has long ceased to exist in most places. As was shown by Iliffe (1983) as well as Sender and Smith (1986), capitalist market relations have found their way into African societies many centuries ago, e.g. with the beginning of Western and Arabian slave trade, and its penetration began to affect all but the most remote tribes at the latest with the arrival of the colonists in the 19th century. Today, it is a commonly accepted (but rarely applied) fact that rural poverty in Africa has many different faces and that the rural poor cannot simply be reduced to a homogenous class of small-scale ‘subsistence’ farmers. A vast array of quantitative and qualitative micro-studies (e.g. Cramer and Pontara 1998; Jambiya 1998; Ponte 2002; Luechtford 2007) have shown that the idea of African agriculture being mainly constituted of undifferentiated smallholder farmers is simply not sustainable empirically. African farmers are greatly commercialised and very much in touch with markets.
A wide range of literature has widely acknowledged that contemporary rural African societies are characterised by 'livelihood diversification' (Ellis 2000; Ellis and Mdoe 2003). This approach arrives with the understanding that rural societies across Africa consist in fact of much more than just small-scale farmers. To the contrary, they highlight that most rural dwellers in Africa nowadays pursue a wide array of off-farm activities in order to make ends meet, or – to put it more positively – to maximise their incomes. Such activities include the pursuit of wage labour, the establishment of small non-farm businesses, migration to more prosperous regions (not necessarily urban), or the receipt of remittances from migrated clan/family members. These activities have been described in terms of both coping strategies – 'diversification for survival' – as well as individual development strategies – 'diversification for accumulation' (Hart 1994, p. 48, as cited in; Ellis 1998).

The bulk of the current academic literature therefore agrees that the notion of the African 'subsistence farmer' is not tenable and must be regarded as a fitting example of urban myth. As argued above, the World Bank and its peers have evidently started to take this perspective on board, however this is yet to reverberate in their practices and policies. Arguably because of the dominance of the described Chayanovian/neo-populist approaches the prepossession remains within development economics that idealises smallholder agriculture as the sole really sustainable basis of livelihood for rural societies (sometimes not only) in the developing world (e.g. Horrigan et al. 2002). Indeed, even if 'livelihood diversification' is acknowledged, more often than not the normative ideal of smallholder farming (point 2 above) still holds its ground, based on a number of different arguments:

- small-scale farmers are both more productive and efficient than large-scale farming and 'agribusiness' (Deininger and Feder 1998; Magdoff et al. 2000; IFAD 2001);
- small-scale farming provides self-sufficiency and food security (Naerstad 2007), especially in view of the current global food crisis;
- it is vastly more environmentally friendly and sustainable through its use of 'traditional' and indigenous knowledge or technology (Netting 1995; Horrigan et al. 2002; La Via Campesina 2007); and most prominently
- small-scale farming offers crucial answers to the challenges of poverty alleviation (e.g. Rosset 1999).

This approach tends to culminate in a more and more common view which can only be described as a romanticising of peasant farming – the fancy of a sustainable and independent lifestyle of honest hard work in perfect harmony with soil and nature.

As appealing as it might seem at first glance, this reasoning holds several weaknesses and the evidence in support is much less unambiguous than it is often being portrayed as. As Holmén (2006) points out, evidence in favour of the beneficence of smallholder farming is regularly built on rather shaky foundations. "There are [...] many who completely reject an intensification of Africa's agriculture by scientific-industrial methods. Their views are sometimes founded on misinterpretations but also often on questionable data and myths" (Holmén 2006, p. 454). There are several examples for this, and the literature that attempts to debunk these myths is growing steadily (e.g. Reardon 1997;
Vanlauwe and Giller 2006), however it clearly has not achieved to overcome the dominance of neo-populist beliefs. Given present constraints of space in this paper, I shall limit the argument to focussing on the two most pertinent points: the often-cited inverse relationship, i.e. the statistically observed negative correlation between farm-size and productivity (or efficiency) across the developing world, on the one hand; and the alleged poverty reduction capabilities of smallholder farming on the other.

In the context of developing countries, the inverse relationship was first mentioned by Amartya Sen (1962), followed by an active subsequent debate\(^5\), however, the first notion was made much earlier at the beginning of the 20\(^{th}\) century by Chayanov himself with respect to the Russian peasantry (1986). As convincing as this seemingly strong statistical correlation might appear to be, this relationship unfortunately is anything but clear-cut. For one, it greatly depends on particular assumptions and various authors pointed out that it likely is a case of spurious correlation (Rudra 1968). Furthermore, its empirical evidence generally is much weaker than usually admitted (Sender and Johnston 2004). Finally, and arguably most importantly, the relation only holds in a static context but is likely to collapse as soon as a dynamic perspective is introduced which incorporates technological and institutional changes over time (Dyer 1998). Especially the latter is usually being neglected in statistical analysis despite its obvious direct importance to any application in the context of development. What is more, rather than simply pointing out its existence and, again, taking this at face value, the underlying reasons for an inverse relationship have to be analysed closely as well. In this regard, the question has to be asked whether it is appropriate to interpret any inverse relationship between farm-size and productivity as a positive sign of economic strength of the small farmer. To the contrary, the fact that many small-scale farmers show high rates of productivity in all likelihood is a reflection of their incisive poverty (and consequentially their higher marginal utility of income) which compels them to ‘self-exploitation’ and operation at maximum labour-intensity (Dyer 1996) – in such a context, it appears debatable at best whether the inverse relationship should be used as an argument for agricultural intensification on the shoulders of smallholders.

‘Rural livelihood diversification’, a rather misleading term, as it tends to draw the attention away from the great distress that often causes this diversification, has been swiftly adopted by the World Bank consequentially. The WDR 2008 does indeed acknowledge this great diversity, but its readers and commentators cannot help but get the impression that the document’s authors were a little bit out of their depth. On the one side, the WDR acknowledges the different paths out of poverty as mentioned above, but then it devotes the bulk of its chapters to the question of how smallholder agriculture must be supported effectively (through opening them access to free markets). In fact it does accept the notion of diversification of farmers with regard to their individual livelihoods, but is not able deduce from this that farmers as a logical consequence also have to be increasingly differentiated, i.e. occupy different position of economic and political power, and it appears to continue championing this dated smallholder ideal incompatible with reality. This squaring of the circle becomes even more unintelligible when the WDR takes up the cudgels for agribusiness, and – as Rizzo (2009) astutely points out – manages to dismiss and support the inverse relationship on one and the same page.

\(^5\) For a summary with particular reference to South Asia see Fan and Chan-Kan (2005).
Going beyond ‘rural livelihood diversification’, prominent authors like Deborah Bryceson went a step further and observed what they call ‘de-agrarianisation’ (Bryceson and Jamal 1997) and even ‘de-peasantisation’ (Bryceson et al. 2000). Bryceson and similar-minded authors plausibly deduce that the process of liberalisation itself was actually the main cause for these trends. The underlying rationale has it that because of the subsequent lack of direct support for farmers in form of subsidies on farm inputs, infrastructure, marketing channels and (tariff) protection from external competition, after liberalisation many African smallholders were no longer able to sustain their farming operations as a meaningful source of subsistence and had to pursue diverging strategies in order to achieve their own economic and social reproduction (e.g. Ponte 1998; Havenevik et al. 2007). This illustrates the contradictions in the neo-liberal combination of neo-classical and neo-populist thoughts in the most direct way: neo-classical liberalisation has directly contributed, if not initiated, the dissolution of the smallholder farmers as a sustainable unit of agricultural production and rural livelihood.

These issues are of even greater importance when it comes to the grand challenges of poverty reduction. It has been shown that usually it is not the farmers that suffer the most from abject poverty, but actually the landless, quasi-landless and especially the female-headed rural households struggling for access to land are often the ones who are affected the worst (Cramer and Pontara 1998; Barrett et al. 2001). Accordingly, it is crucial to understand that farming itself does not always lie at the core of livelihood and coping strategies, but in fact there are many people who, besides being farmers, heavily rely on off-farm activities – especially wage labour employment – in order to make ends meet (Sender et al. 2005; Cramer et al. 2008). It has been shown that it is women in particular who rely heavily on wage labour incomes to satisfy their needs and feed their families (Oya and Sender 2009).

With this background, it is clear that poverty reduction and development strategies can no longer rely merely on support for small-scale farmers, accompanied by (often unsustainable) social protection schemes (Devereux 2001; Conway and Norton 2002). To the contrary, a much more detailed approach that incorporates the evident constraints, diversification but also class differentiation of rural dwellers is indispensable to effectively address rural poverty. In doing so, a greater focus on rural employment creation becomes imperative, and with this the crucial importance of capitalist agriculture comes to the fore. Because of its unique properties of installing a compulsion for producers to compete and therefore to innovate as well as to realise surpluses and market profits, a dominant capitalist mode of production – that is in its classical narrow definition, production based on the employment of wage labourers that are ‘free’ in the double sense – should be interpreted as a fundamental and necessary part of any successful process of development and poverty reduction. This reveals the need

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6 Some authors put forth the strong argument that this process has actually set in long before the times of liberalisation. Bill Warren’s (1980) work constituted the most fervent advocacy of this, but the works of John Iliffe (1971; 1983) and John Sender (1975; Sender and Smith 1986, 1990) have served as important refinements of Warren’s original thesis. Without much doubt, all of them would acknowledge that the original processes have been greatly accelerated after liberalisation, though.

7 One should not forget that no one less than Karl Marx himself, although a harsh critic of capitalist exploitation, acknowledged that capitalism is the most dynamic mode of production humanity has seen so far (Marx 1973). That said, a dynamic capitalist mode of production itself could never be a sufficient condition for successful development.
for socio-economic transition and agrarian change, which stands in clear antagonism to the above-mentioned neo-populist approaches of supporting – and thereby protracting – societies of small-scale farmers.

This of course is not to say that African agriculture necessarily will or can follow a path that has been pursued by early developers before her – to the contrary, African development of course is and must be unique in its own regard given its unique temporal geo-political and global context. That said, to assume such development can be built on the present socio-economic structures without a profound upheaval in and of these can only be described as fanciful. An essential part of the question for development and poverty reduction in rural Africa therefore has to be whether and how the current extent of capitalist production⁸ can be advanced and what policies will be conducive to such a process. As was argued above, most evidence that we have on rural African societies today gives clear indications that this transition is already well underway, and all the observed processes – no matter whether they are called ‘rural livelihood diversification’, ‘de-agrarianisation’ or ‘de-peasantisation’ – are an integral part of its progression. The prime question of rural development therefore must not be how to support the (ill-perceived) status quo of smallholder farming, but how to advance, guide and control this unrelenting process of socio-economic transition, in order to mitigate the inevitable social frictions that must accompany it. Unfortunately, this perspective is of course incompatible with the dominant neo-classical approach which sees development as a frictionless process of gradual improvement, brought about by man's assumed quality of intrinsic utility-maximising behaviour. In viewing rural development through this particular lens, its inexorable realities of socio-economic frictions and struggles immediately disappear. Consequently, neo-classical economists do not possess the tools necessary to understand the very essence of development, not to mention to devise policies for its continued advancement. This can be exemplified ostensively with the case of rural Tanzania.

A brief history of agricultural policies in Tanzania

Since independence in 1961, national economic strategies and therewith agricultural policy in Tanzania have undergone multiple changes, oscillating between the two extremes of Ujamaa socialism and the IFIs’ structural adjustment liberalisation, as well as eventually incorporating slightly more moderate social protection schemes in the more recent past. This makes the Tanzanian economy a particularly interesting case study to observe the effects of these policy shifts on the agricultural sector.

Under President Julius ‘Mwalimu’ Nyerere, post-independence policies in Tanzania were characterised by a heavy involvement of the state in the economy. Especially after the Arusha Declaration (Nyerere 1967a), which marked the beginning of the Tanzanian socialist era, the overarching national target became that of ‘Kujitegemea’ (Swahili for self-reliance) mainly to be achieved by a strong focus on agricultural independence and food security, but also through eventual modernisation and industrialisa-

⁸ The existence of capitalist relations and production in rural Africa is of course by now well acknowledged (Iliffe 1983; Sender and Smith 1986). Contemporary debate therefore has shifted away from this question and towards a much more intricate discussion of whether capitalist (agricultural) production is by now dominating agricultural production and rural societies or not, and what the developmental consequences of such dominance are.
tion, as well as nationwide education. To this end, strict governmental controls were imposed on producers. In a nutshell, the main features of the Ujamaa policies were an intended expansion of export crop cultivation, villagisation in sparsely populated areas together with the modernisation of agriculture through increased inputs of technology and capital, nationalisation of key economic sectors, businesses and assets, the installation of cooperatives and the strict regulation of trade and prices through marketing boards. The cooperatives and later the village administrations collected crops and sold them on to the marketing authorities. Farm-gate prices were set on a residual basis, i.e. through making deductions of incurring costs and taxes. At the same time, highly subsidised fertilizer and other agricultural inputs were provided to the cooperatives, and subsidies on consumer prices of food crops (mainly maize) were installed, too. Nyerere’s goals were undeniably benign and his policies well thought-out, nevertheless the system eventually collapsed due to a number of external pressures – the two oil crises 1973/79, the costly Ugandan-Tanzanian war 1978-79, adverse weather conditions, as well as falling commodity prices throughout the 70s – and internal mismanagement and inefficiencies of both the administration and production. By the early 1980s, the Tanzanian economy had reached a level of decay together with an insurmountable debt burden and consequentially failed to produce minimum rents for the political elite (Lofchie 1993), thereby adding political pressures to economic decline which eventually rendered a reversal of the socialist strategy unavoidable.

At first, a National Economic Survival Programme followed by a ‘domestic’ structural adjustment programme were initiated in 1981 and 1982, respectively, more or less attempting gradual and restricted liberalisation. This involved the attempt to establish higher real producer prices, to remove consumer subsidies, and substantial devaluation of the currency. These early half-hearted effort of economic recovery however did not prove to be successful and the foreign exchange and debt crisis eventually forced the government, now under the leadership of President Mwinyi, to agree to the IMF’s Economic Recovery Programme in 1986 (Carter 1986). Subsequent structural adjustment reforms included an abolishment of all restrictions on internal marketing (including price-regulation, marketing boards and subsidies), liberalisation of exports and imports, inflation-targeted monetary policies, and a pervasive cut in government spending. From there on, continuous liberalisation was carried forward as the main direction of national policies. However, after it became apparent that poverty levels were not significantly decreasing in the 1990s an additional focus on poverty reduction appeared on the political agenda, with two subsequent poverty reduction strategy papers (PRSPs) and since 2005 the National Strategy for Growth and Reduction of Poverty (commonly referred to as Mkukuta). In essence, these strategies add a focus on social services and protection schemes, however, their answer to the shortcomings of the productive sector continue to be tight-knit to neo-liberal policies of liberalisation, macro-economic and monetary stabilisation, fiscal discipline, and generally a reliance on markets instead of the state (United Republic of Tanzania 2005).

**The current state of rural poverty and development in Tanzania**

So how have these policies affected rural Tanzanians’ lifes? Today, Tanzania remains one of the poorest economies in the world with an estimated per capita GDP of just over 500 US$ (IMF 2009)
and a Human Development Index ranking of 159 out of 177 countries (UNDP 2008). As is the case in so many African countries, agriculture is the main pillar of the Tanzanian economy, contributing about 45% to national GDP and employment to more than 80% of its working population (data: World Bank 2008). Despite rather respectable GDP growth figures of constantly 5 - 7.5% over the past decade, poverty reduction did not follow suit, quite contrary to neo-liberal expectations (e.g. Dollar and Kraay 2002). Between the two most recent national household budget surveys in 2001 and 2007 (United Republic of Tanzania 2002, 2008), no statistically significant decrease of the share of people experiencing poverty could be observed – however speaking in absolute terms, it was found that about 1.5 million more Tanzanians now live in poverty compared to 2001. Especially rural areas are suffering the most from widespread income poverty – about 83% of the country’s poor live in rural areas – with nearly 38% of the rural population falling below a basic needs poverty line and 18.4% below the national food poverty line (United Republic of Tanzania 2002, 2008). Although food production has rather steadily increased over the years, per capita food production has been on constant decline since its recorded high 1979, having fallen by 29% to this day. In the recent ‘Views of the People’ Survey (United Republic of Tanzania 2007b), 50% of respondents reported a deterioration of their economic situation over the past 3 years, with only 24% reporting an improvement, and commentators in national newspapers generally have expressed considerable discontent on the present situation and government (McGregor 2008; Rugonzibwa 2008). Unsurprisingly, this sobering record commonly is not echoed in IFI publications which usually zero in on the impressive growth performance, brushing poverty under the carpet and hail Tanzania as an exceptional success and a ‘story of an African transition’ (Nord et al. 2009).

These aggregate statistics of course hold only limited meaning beyond a mere indication, as they are prone to a multitude of measurement errors and biases (Minhas 1988; Srinivasan 1994). Certainly, they do not reveal much about the actual economic situation, livelihood strategies and especially labour market formation in rural Tanzania (Oya 2004). The case of the latter is best exemplified with the latest Integrated Labour Force Survey 2006 which reported a share of wage or salaried employment of only 9% of the economically active population (79.8% of the total population), and allegedly only 11% of rural households have at least one member that is engaged in wage employment (United Republic of Tanzania 2007a), therewith confirming the populist position that African rural societies primarily consist of (small-scale) farming, self-relying households. Again, these results are echoed in government, donor and NGO documents, attesting that this image of Africa still constitutes dominant conventional wisdom both in the public and among ‘development experts’ (e.g. LO/FTF Council 2003; United Republic of Tanzania 2003, 2009). This argument reaches its ultimate level of oddity, when scholars observe the common practice of hiring casual labourers in agricultural production, but construct the circuitous argument that such practice should be interpreted as an attempt of rural societies to ‘reproduce an egalitarian world’ (Sugimura 2006). Tanzania’s President, Jakaya Kikwete, himself recently

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9 The most recent Household Budget Report (United Republic of Tanzania 2008) sets the Tanzanian basic needs poverty line at 13,118 TSh (= US$ 10.30) per 28 days, and the food poverty line at 9,574 TSh (= US$ 7.52) per 28 days. Calculated per day and on the basis of PPP, these are equivalent to US$ 1.11 and US$ 0.81, respectively, therewith even being considerably lower than the usual international poverty lines of US$ 2 and US$ 1.25 PPP per day.
referred to his country's agricultural sector as "subsistence agriculture – living from hand to mouth!" (cited in World Bank 2007a). This perception clearly permeates Tanzania's agricultural policies as well.

This result is grossly at odds with the findings of the bulk of research on rural labour markets conducted over the past three decades, including the present study. These studies widely agree that after liberalisation the face of agriculture has changed drastically. Moreover, many authors argue that the 'ideal' of a relatively equal and undifferentiated rural society has ceased to exist even long before that episode in Tanzania's history. As President Nyerere himself pointed out: "Our society, our economy, and the dominant ambitions of our own people are all very different now from what they were before the colonial era" (Nyerere 1967b, p. 4, added emphasis). Iliffe (1971) elaborates further on this and establishes that the origins of Tanzanian commercial agriculture have to be traced back to at least the late 19th century, increasing ever since and creating a rural society that is significantly differentiated and displays great internal and regional socio-economic divisions.

Probably the first systematic study on the differentiation in rural Tanzania, focussing on the significance of labour market formation and 'proletarianisation' of the peasantry was undertaken by John Sender, based on household data collected among tea growers in the West Usambara mountains in the early 1973. Sender reports that out of 53 interviewed farmers, to the question 'Have you ever been employed for cash wages?' 42 (i.e. 79.2%) answered with 'yes' (Sender 1975). However, at that time these results were very antagonistic to the mainstream's perception on African rural households, as exemplified by a large scale national survey of 600 households in 1980 whose authors' refer to the 'typical peasant household in Tanzania' (Collier et al. 1986, p. 67) as one with little contact to (labour) markets. Generally, this survey failed to record any significant amount of wage labour hiring in rural Tanzania, hardly surprising given the surveys focus on unrepresentative regions with low population density and little production of wage-labour-intensive crops (Sender and Smith 1990).

Because of this persistent notion of peasant farming in African studies at that time as well as the limited scope of Sender's first study, it was later complemented with another much more thorough investigation of 100 households in the same area in 1986 (Sender and Smith 1990). It confirmed the reliance on labour market incomes for most poor households, but it also observed the general complaint by employers about a great scarcity of labour supply, indicating that capitalist relations of production were already well in place at that time. Generally, not a single household was observed that could be placed in the category 'subsistence farmer'. Furthermore they found that wage labour is predominantly provided by women, and more precisely by woman that have been 'freed' from marital obligations e.g. through divorce or becoming widows. They explain this phenomenon, which is at obvious variance with neo-classical theory, by the control over and appropriation of the labour of married women by their husbands.

After liberalisation, the controversy continued to attract academic attention and several more studies with similar foci were undertaken, most notably by Ponte (Ponte 1998, 2001; 2002), Jambiya (1998)
and Mwamfupe (1998), all of which based their findings on extensive fieldwork in different regions of Tanzania in the years 1995-96, 1996-97, and 1995 respectively. Taken together with the work of Sender and Smith, they therefore open the opportunity for comparison of intimate investigations of rural Tanzania before and after liberalisation.

Ponte’s work in particular has been very formative in the shifting perception on Tanzanian rural households. He reports major shifts in rural life starting after liberalisation. These mainly are the intensified cultivation of ‘fast’ instead of ‘slow’ crops and generally more commercialised farming, a greater penetration of the labour market, and more generally the increase of non-farm activities like small businesses. His main explanations for this increased diversification of livelihoods is that due to liberalisation people face greater cash requirements in the form of "(1) higher school fees and health expenditures; (2) incentives and copying effects, which make people buy more consumer goods; (3) the establishment or the changing demands of an increased number of off-farm enterprises; and (4) higher prices for agricultural inputs" (Ponte 1998, p. 335). Furthermore, he observed that these trends went hand in hand with an overall increase in income and quality of life – but also increased inequality – in those villages with better access and economic ties to the major markets, but much less so in the more remote villages (Ponte 2001). His work therefore constitutes one of the most systematic attempts to link processes of rural livelihood diversification, agrarian change and the decline of the traditional peasant farming directly with liberalisation itself.

Unfortunately, as Koponen (2004) and Oya (2005) point out, these very interesting results are belittled by the empirical evidence offered. The main problem is that Ponte heavily relies on recall data on three past seasons (9, 5, and 1 years ago at the time of his field study) and on that basis constructing detailed quantitative arguments on crop patterns, expenditures, production and sales. This obviously is very problematic in situations and places where no written accounts are held. Furthermore, he is challenged for assuming a direct line of causation from market liberalisation to agricultural stagnation and social differentiation, although this may be much more complex than suggested by him. Another problem is that Ponte shows only scant sensitivity to issues of rural class formation and farmers differentiation, with ‘farmers’ often being referred to as a single social category. Especially this last point is crucial for understanding the current process of agrarian change. With the aim to create a more comprehensive understanding of these complex processes, the present author conducted an in depth study in the West Usambara mountains in 2008.

**Rural labour market(s) and capitalist production in the West Usambara Mountains**

Unlike many previous studies such as the one by Sender and Smith, who focused on very particular subsets of the rural populations analysed following the classic assumption that socio-economic change is the strongest on the margins of societies, the present study was carefully designed to incorporate all strata of the population in order to avoid the pitfall of determinism. For this, a combination of qualitative and quantitative data was collected in a total of 5 villages in the Lushoto district in the multifarious West Usambara Mountains, through a household survey based on semi structured interviews
with a sample size of an average of 30 households in each village (151 total) and subsequent focus group discussion (3 per village). The villages were carefully selected based on government data, in-depth consultation of stakeholders, and officials on district and local level, as well as extensive personal excursions. Apart from inevitable issues of practicality, main selection criteria were the transport connection (distance to markets, quality of roads), agricultural potential and performance (mostly determined by geographical and agro-ecological conditions), as well as average wealth/development, in order to capture the full amplitude of rural life in this region. The selected villages could be roughly categorised into two relatively prosperous villages with high horticultural production, but different levels of transport connection (Lukozi and Dule), two 'middle income' villages with mediocre levels of horticultural production and greatly varying transport connection (Ubiri and Kwekitui), as well as one very remote and struggling village (Ngughui). This methodology allowed me to distinguish various trends in agrarian change, how different levels of 'development' can affect it, and most importantly to derive further insights on the important question of what drives agrarian change, opportunity for improvement (i.e. choice), or destitution and the struggle for survival (i.e. necessity) (Ellis 2000). Especially the latter is most crucial for explaining both the questions of agrarian change and wider development policies, and it is the present study's aim to provide some answers to these.

Arguably, in the Usambara Mountains, the main origins of agrarian change after liberalisation are readily identified. One of Ujamaa's main features with respect to agriculture was its provision of fertilizers and farm inputs at highly subsidised prices. Although it has been argued that due to the system's inefficiencies, waste and unjustified cost calculations this practice was actually part of the 'urban bias' as it appropriated increasing amounts of the farmers surpluses in favour of the political elites and fledgling industries in the cities (Ellis 1983; Delgado and Minot 2000), they nevertheless allowed the farmers to relatively sustainably farm their fields. After the end of the subsidies, prices of inputs skyrocketed and most farmers were not able to afford chemical fertilisers any longer, forcing them to unduly drain the soils. This, together with high population growth and dwindling inheritable land with each generation, consequentially led to deforestation, soil erosion and fertility decline becoming the cardinal problems for farmers in the region (e.g. Reed 1996; Conte 2004; Vrieling et al. 2006). The overarching result is that farming is less and less able to provide a livelihood basis to the people, and liberalisation has been a strong accelerating force to that process. Generally, the farmers are very aware of this, but are mostly unable to intervene, often stating with resignation: "Ardhi imechoka!" ("The land has become tired!")

It therefore can hardly surprise, that the general result of diversified farmers is confirmed by the present study. Out of the 151 participating households, 83 (55%) had at least one (adult) member who presently works for a wage, and in another 35 households (23%) at least one (adult) member did work as a wage labourer in the past. During the observed season (2007/8), a total of 65 households (43%)

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10 Ponte (2001, p. 81), too, observes this in his study held in another Tanzanian district.
11 Interesting to note especially with respect to the study by Sender and Smith is the fact, that of all enumerated wage labourers, only 38.1% were women. This indicates that the previously observed 'appropriation' of female labour by men is no longer an important factor. That said, women are still mainly responsible for most household duties including fetching water and cultivating food crops, so that in sum still a greater work burden falls on them.
hired labour at some stage of the production process, of which 29 households also provided wage labour. Furthermore, 49 (32.5%) households presently operate an off-farm business of sorts, and another 23 (15.2%) have run a business in the past. Only 4 out of the 151 households could be characterised as subsistence farmers in the narrow sense, i.e. they are neither participating in the labour markets nor do they sell any products or services. These were undeniably the poorest and most destitute households in the sample, often surviving merely by means of (informal) social welfare and begging.

As was argued above, in the process of both diversification and rural (capitalist) development, the formation and/or expansion of the labour market is of particular importance. In this respect, it is important to note that no uniform labour market exists, but instead the labour market is clearly divided in two qualitatively separate components. The first is the market for casual labour or kibarua in Swahili. The other component is for formal labour of all kinds, most of which require particular skills in form of education or training, though this is not a necessary condition. In quantitative terms, the extent of the kibarua-market vastly surpasses the market for formal labour – 81.4% of all individuals presently engaged in some form of wage labour employment were kibarua (mostly, but not exclusively doing agricultural tasks). Taking into account that another 3.4% were holding unpaid public offices (village chairperson or religious leaders), this shows that only 15.2% were able to secure formal employment. Kibarua employment is usually characterised by being very insecure and irregular hard manual work, with very low wages of about 1000-2000 TSh (ca. US$ 0.75–1.5) per day (often paid in form of task/piecemeal remuneration). In comparison, formal labour, even if hard work is usually much more secure, earns considerably higher incomes and usually comes with extra benefits such as pension schemes. It generally is outside the agricultural sector, and mostly either public work (e.g. teachers), or services in the towns and cities (e.g. bus drivers, domestic servants). The low status of kibarua becomes very apparent during conversations on the topic. The Swahili word kibarua has a very negative connotation, as it stems from the colonial era during which many men were forced to work for the colonial authorities. Many people are obviously ashamed and hesitant to admit that they work as kibarua, suggesting that the above figures are probably even underreporting the extent of casual employment. Typical quotes that came up in most discussion groups and interviews included: “To do kibarua is like begging someone for work, and you will only get a little compensation as a ‘thank-you’”; “If you are looking to hire someone to cultivate your field, often he will refuse to work for you if you call him kibarua. Instead you have to ask him for his ‘assistance’.” This general sentiment became the most evident, when people were asked whether they currently were or previously had been employed as kibarua. Several times respondents intensely proclaimed “Nashukuru mungu, sijaajirwa!” (“I thank God, I have never been employed!”).

These results are further substantiated, if production and income data are compared between those working as kibarua and those with formal employment. Kibarua households had an average annual income of about 300,000 TSh (currently ca. US$227) which translates into a per capita income of about 55,000 TSh (ca. US$41.60), and per season produced an average of roughly 30kg of maize and
about 7.5kg of beans per person as the major food crops. This corresponds with an average annual income of 2,000,000 (ca. US$1542) and a per capita income of 284,000 (ca. US$219) in households that were able to secure formal labour employment. Also, households with formal employment generally were very independent of their own production of food, therefore either not even producing or often just not knowing (caring about?) the extent of their food crop production. Looking at the land holdings, kibarua households have an average of 1.45 acres (ca. 0.58ha) compared to a sizeable 3.45 acres (ca. 1.4ha) for households with formal employment. However, despite their larger land holdings, only about 30% of the latter's incomes were derived from agricultural activities (crop sale), whilst agriculture contributed to kibarua households’ incomes a share of nearly 45%. This indicates that households that were able to secure formal employment display a relative retreat from the agricultural sector, but nevertheless retain/accumulate land as a major asset, but also old-age provisions. Formal employment, was relatively even distributed with the exception of the most remote village as clearly the most common form of formal employment was local primary school teaching. That said, people that had formal jobs in the private sectors generally lived in those villages that had the best transport connections to the next town.

The above described negative sentiments and reluctance towards accepting kibarua work becomes starkly understandable when the incomes of kibarua households are being compared with households that do not offer their labour power on the market. These households have an average income of 800,000 TSh (ca. US$ 617), conforming to 135,000 TSh per capita (US$ 104), and have an average land holding of 2.62 acres (ca. 1.06ha), therefore being considerably better off than kibarua households, and this pattern persists across the whole sample, but also within every single village. This comparison demonstrates vividly that kibarua employment is usually not being pursued voluntarily, but rather constitutes a coping strategy for poor households. This in turn shows that an integral part of capitalist development – proletarianisation – involves considerable frictions that are generally ignored in a neo-classical framework.

These frictions notwithstanding, the kibarua market nowadays is crucial for the agricultural sector, as on the one hand it provides casual employment for most households, and since it on the other hand virtually is the only provider for agricultural labourers for larger farmers. The larger (capitalist) farmers, especially in the two richer villages depend greatly on kibarua labourers in their production process. The hiring of kibarua (among other factors) allows them to produce (mainly) vegetables on a relatively large scale, nowadays to such an extent that they constitute part of the major vegetable suppliers for the Tanzanian cities. These farmers have achieved considerable wealth through horticultural farming, and they are the richest members of the sample. Their workers on the other hand, often coming from the surrounding villages on a daily basis, form the lower strata of the society and are considerably poorer. Although exploitative in its very nature, kibarua labour provides these farmers with enough income which lets them and their families survive despite their constantly depleting agricultural assets.

**Conclusion: necessary frictions of development?**

12 Together with cassava and banana, but no reliable production data is available for these.
The present study, together with parts of previous research mainly by Sender/Smith and Ponte confirms the notion that the bulk of off-farm activities are taking place out of necessity, that they reflect the agents' destitution and that they are generally incompatible with the neo-liberal worldview that all economic decisions are resulting from positive incentives and market opportunities. This is not to say that all process of agrarian change are a result of necessities, as of course 'diversity for accumulation' is simultaneously occurring to 'diversity for survival' (Ellis 1998, p. 7). However, as the data suggest with respect to sheer weight of numbers the process of diversification as a coping strategy out of necessity appears to be dominant.

What this also shows is that 'rural livelihood diversity' is not a uniform phenomenon, as if it were a mere extension of the model of the egalitarian society of traditional smallholder farmers, who only engage in more activities than farming. This would be to ignore the fact, that the increasing diversity brings with itself increased socio-economic (class) differentiation and inequality within rural African societies. All available evidence suggests that this drives a wedge between those who are able to directly benefit from free markets and those who struggle because of the outcomes of liberalisation, therewith creating potential social frictions, which unfortunately far too often remain unaddressed in the profession of development economics.

This of course does not answer the question for long-term development. Arguably, what will determine the outcome is whether this – in a manner of speaking – 'incomplete capitalism' will persist and become a vehicle for deeply entrenched poverty and stagnation, or whether it will evolve into a fully-fledged 'modern' and competitive version that is capable of bringing about agricultural growth, surpluses and rural well-being to create long-lasting development for rural Tanzanians. Either way, we have to note that more often than not development is not a smooth process of gradual improvement and enrichment, but a highly frictional affair. This has been impressively shown by Cramer (2006) for the extreme case of civil wars, but it is equally true for the everyday struggles of peasants to keep up their traditional way of life which is no longer compatible with the globalised world. It probably is a very similar struggle compared to the one that European farmers went through during the European transition from feudalism to capitalism (Brenner 1976; Hilton 1976; Wood 1999). The hope can only be that unlike so many of its African peers, a refreshingly peaceful country like Tanzania will be able to manage these frictions without sliding over the brink as well.

Rather ironically, the described processes can well be interpreted as a necessary step towards a 'modern', differentiated, capitalist and in this sense eventually developed society as we know it in the Western world. If this is held to be a worthy goal, then there should be no denying that the struggles of the 'losers' of liberalisation would be an equally necessary price to be paid to this end. The question then has to be: what are the policy consequences? Can we merely rely on social protection schemes

13 'incomplete capitalism', because it may not be forgotten that considerable parts of the observed society (20 – 40%, depending on the exact definition) continue to reproduce themselves independently of the labour market, either as 'subsistence farmers' or 'petty commodity producers'.
to countervail the most atrocious poverty effects, and if so how can those be sustained in an agrarian economy that probably has not yet attained sufficient levels of productivity and surplus? Could an increased stimulus towards large scale farming as provider for efficient production, economies of scale and employment be the answer, and if so how could these capitalist farmers be competitive in a waver ing globalised market? This paper did not attempt to provide answers to these fundamentally challenging questions, but it tried to illustrate how with reasonable certainty the neo-liberal confusion between neo-classical liberalisation and neo-populist smallholder idealisation will not be able to answer it.

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