Introduction

The neoclassical economic framework provides the main theoretical building blocks used in the training of agricultural economists. Over time, there has been a growing realisation of deficiencies in this framework, related to its treatment of technology, ecology, history, and the institutional and cultural activities that have an impact on economic activities. All of these dimensions determine the specific context or local setting for economic activity whether in (1) business (the farm or the agribusiness); (2) government; (3) the voluntary sector; (4) the informal, non-monetarised sector or family sector; or (5) the natural resources or environmental sector. Meanwhile the economics and agricultural economics professions have been paying increasing attention to institutional issues, and have developed strong concepts and analytical tools to do so. In this process, it has become evident that these concepts and tools are particularly relevant to the problems of agricultural development in developing countries.

It has therefore become necessary to expand the basic building blocks of agricultural economics theory in order to be more eclectic and more contextual. Account must be taken of the different dimensions by relaxing some of the restrictive assumptions of the neoclassical foundation, and by acknowledging that economic activities span across the five sectors.

With changing realities in the socio-political and socio-economic context in the Southern African region it becomes quite critical to reconsider the content of the curriculum of economics at universities in an effort to expose students earlier to institutions and the cultural and historical contexts that shape economic outcomes in the agricultural sector. As such, the institutional and behavioural dimensions of agricultural economics need to be more "contextual" and closer to reality.

Students in agricultural economics hardly get exposed to sociology, anthropology, philosophy and history, because the different disciplines in the social sciences are so compartmentalised at Universities. If they do get such exposure they are rarely encouraged and helped to make connections and to explore complementarities and conflicts between these disciplines and economics. Part of the purpose of this article is to argue why agricultural economics students should connect more with the other social sciences but also to provide a new set of (institutional economic) "lenses" through which the analysts, advisors, project managers and policy makers of tomorrow can view the critical developmental problems of agricultural and rural communities in the developing world and in Africa specifically.

It is important to note that virtually all agricultural economics and economics training in Sub-Saharan Africa is based on the Anglo-American (Anglo-Saxon) framework of economics training where the liberal market philosophy is emphasised. As we argue below this might not always be the best philosophical framework and it is perhaps necessary to consider more of the continental (European or French) approaches or coordinate market economic approaches to economic training. This is why a different and perhaps more interdisciplinary training might be more important. My engagement with French researchers...
over the last 7 years have brought me greater appreciation of how the social sciences and the appreciation for the inter personal and intra-group dynamics can provide a much greater understanding of economic outcomes and the nature of economic transactions. The value of this much more interdisciplinary approach to economic problems has been illustrated in joint projects in which we collaborated over the years.

If we consider for a moment the economic realities of Southern Africa it is rather clear that economic transactions take place across cultural and ethnic boundaries which per definition have additional complications and higher transaction costs which cannot be analysed by a traditional liberal market paradigm. As transactions take place between cultures and also in situations with unequal power relations, issues of trust and relationships become critical. In this regard, Ring and Van de Ven (1994) propose that the liberal market ideology and also the Transaction cost Economics School of the New Institutional Economics ignore the crucial role that informal, socially embedded relationships have in producing stable contract conditions between independent parties. This clearly brings into play the need for understanding of certain social sciences and theory to interpret and predict economic behaviour.

The need for this more interdisciplinary approach in agricultural economics in developing countries was also born out of the realisation that, despite the new focus and the increasing number of applications of institutional economics studies in agriculture, there still seems to be no deep understanding of institutions and institutional change, and limited capacity to address this important field necessary for development. The need for agricultural economics scholars to come to grips with the real problems facing agricultural policy makers and a need to provide agricultural economics professionals and policy researchers with a more appropriate theoretical framework and enquiry paradigm was a further motivation for this article.

The changes in agricultural and food markets have also led to a situation where we now find economic actors engaging in transactions rather than a large number of atomistic firms constituting a “market”. This renders a limited applicability of mainstream economics due to its assumptions of homogeneity and rationality. This also has major implications of how we analyse the problems of market access. It is these types of problems that can only be addressed by extensions of the neo-classical economic theory (such as the New Institutional Economics) and by promoting an engagement with other social sciences. This is the major argument presented in this paper.

The context for a more interdisciplinary approach in agricultural economics training

Accepting the need to expand the basic foundation of economics, this section of the paper alludes to the challenges facing agriculture in Africa and questions the appropriateness of our current conventional wisdom. It will probably not be difficult to develop a long list of challenges and issues that will influence the work of agricultural economists. To name a few:

- The agricultural issues emanating from the World Summit on Sustainable Development.
- Rural poverty
- The agricultural agenda for a successful implementation of the new partnership for Africa’s Development (NEPAD)
- Food security and rising food prices
- The Doha Round of world trade negotiations and the broader issues of globalisation
- The competitiveness of African agriculture.

The following discussion of these challenges will then lead us into the critical assessment of our agricultural economics paradigm.

Pro-Poor Agricultural Growth in Sub-Saharan Africa

Within Sub-Saharan Africa 70% of the poor are in rural areas. Alleviating poverty is thus a major challenge requiring interventions to stimulate political and economic development. In the literature there is a general consensus that in many of the poor rural areas of Sub-Saharan Africa increasing agricultural productivity will have the greatest potential for poverty-reducing growth, either through direct benefits, indirect expenditure linkages or through local consumer benefits. The argument is also that via linkages, growth in the non-farm economy is the most vibrant when farming is thriving. Successful agricultural development stimulates diversification in the non-farm rural economy. Despite this consensus agricultural growth in Sub-Saharan Africa has been disappointingly slow and years of interventions by donors and governments had very little impact. Despite the agreement on agriculture’s importance we have seen over the years that agriculture’s share of government and development agency investments have been falling. This paradox is what Dorward et al. (2002) call the “agricultural investment dilemma”. These authors also argue that the policy prescriptions for Africa embedded in what they call the “Washington
Consensus on Agriculture (WCA)² are partly responsible for this problem in African agriculture. The basic policy prescriptions emerging from the Washington Consensus are essentially based on recommendations of centralisation, deregulation and market liberalisation³. A key requirement according to the WCA is agricultural systems intensification implying increased productivity through increased technology. Other elements include:

- Expansion of production in non-traditional crops
- Improvement in economy-wide policies – mainly through structural adjustment programmes
- Reviewing barriers to entry in input markets
- Land reform and secure property rights
- Reform of tax policies
- Better government services in the delivery of public goods and services
- A challenge to OECD governments to reform their agricultural policies to reduce distortion in world commodity markets.

Although many of these prescriptions can be applauded there remain a number of gaps and inconsistencies mainly in terms of institutional analysis (Dorward et al., 2002). Very little is said about institutions (specifically related to agricultural finance for poor farmers). In addition the WCA writers tend to overstate the advantages of smallholders without taking account of disadvantages smallholders will face in liberalised global markets.

The critique by authors such as Stiglitz (2002), Dorward et al. (2002) and Kanbur (1999) relates to a great extent to the point of poor institutional analysis. Liberalisation policies and institutional changes are often recommended without taking account of the particular country’s systemic approach to dealing with economic co-ordination problems.

To unpack this point we need to distinguish between different forms of capitalism (or different sets of institutions). For our purposes it is sufficient to distinguish between the version of the British-American (BA) world that is based on, and legitimised by, the ideology of liberal capitalism and the version of Continental European (CE) countries that is based on, and legitimised by, the ideology of social democracy (Terreblanche, 2002). In their book Varieties of Capitalism Hall and Soskice (2001) make a comparable but very interesting distinction between the institutional framework of the liberal market economies (LME) – Britain and America – and that of the Co-ordinated Market Economies (CME) of continental Europe. In the liberal market economies, firms co-ordinate their activities primarily via hierarchies and competitive market arrangements with market relationships characterised by arm’s length exchange of goods and services in a context of competition and formal contracting. In co-ordinated market economies there is a greater prevalence of non-market relationships to co-ordinate endeavours with other actors and to construct their core competencies. These non-market modes of co-ordination generally entail more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks and greater reliance on collaborative relationships.

It is evident from most of the WCA writings that the recommended institutional changes always resemble the institutional framework for most of the liberal market economies (LME) such as Britain and the United States of America. This as well as the links with the previous colonial masters and the main donors has resulted in most of the developing countries in the Poor South (as well as countries that were previously part of the Soviet Union) including Anglophone Africa, imitating the LME or liberal capitalism model. It is, however, debatable whether that model really suits the developmental needs of these countries. (Is this perhaps why lagging countries will never catch up?). We can make a strong case that if these countries were to adopt the social democratic version of democratic capitalism, their developmental needs would be much better served. This links to the point Kydd (2002) makes that despite the fact that LME institutional framework can be very effective in certain cases it is true that in many cases it would not apply or be relevant in many other countries.

Polanyi (quoted by Boyer, 1997) demonstrates in his classic 1946 work, The Great Transformation, that most markets for commodities call for highly sophisticated institutional arrangements for their efficiency and self-adjusting property to be obtained. This again strongly supports the case against liberal market ideologies.

Boyer (1997) argues that there is a need for institutional transition and organisational innovations that will provide a significant but ancillary role to markets, provided they are embedded in a set of social relations providing trust, loyalty and commitment. Without these basic ingredients markets will not be efficient.

Kydd (2002) continues this line of argument and makes a very strong case that the LME institutions are not appropriate for the development of smallholder agriculture in Africa and that it would therefore be unlikely that agriculture would perform its pro-poor role. Thus the institutional challenges required by liberalisation measures

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² The Washington Consensus refers to a set of analyses and prescriptions considered being World Bank/IMF orthodoxy. The Washington Consensus on Agriculture is extracted from reports by the World Bank, UNICEA, IFPRI and more recently the IFAD 2001 poverty report. This section is largely a summary from the arguments in Kydd and Dorward (2001) and Dorward et al. (2002).
³ The flaws in these policy recommendations for many developing countries are well articulated in the controversial book by Stiglitz (2002).
within the WCA may be “taking poor farmers down a blind alley”. For poor farmers in Africa the key challenge is to devise institutional arrangements, which are able to reduce transaction costs and also induce much stronger commitment to investing in needed specific (and co-specific) assets. Kydd therefore argues that the characteristics of poor farmers are such that the liberal capitalist (LME) institutional framework is unable to solve the very particular co-ordination problems that arise. This notion that the market (central to the liberal ideology) is not always (and especially not in developing countries) the most efficient institutional form for economic co-ordination, is supported by many other scholars (see Hollingsworth and Boyer (1997) for a discussion on this). From this it is concluded that CME-type institutions tend to be more appropriate and needed to develop smallholder agriculture in Africa. Ideally these would be based on deliberative institutions, working horizontally inside a sector and also vertically along the supply chain to ensure a just and fair outcome.

Implications for the agricultural economics paradigm

All these arguments have important implications on how we as agricultural economists get involved in policy prescriptions for the development of agriculture in Africa. It is critical that policy be developed on the basis of an understanding of what are likely to be broad outlines of appropriate institutional arrangements, i.e. arrangements that will be transactions cost reducing and specific asset investment inducing. The question is whether this is enough to make a meaningful difference. The bottom line is that our research on poverty and the agricultural development challenge in Africa needs to be institutionally informed. The challenge is to be able to provide insights on how to design non-standard institutional arrangements, non-market co-ordination and the role of government.

In the final instance it is important that our institutional analysis take cognisance of the fact that the institutions of a country or a region are embedded in the culture in which their logic is symbolically grounded, organisationally structured and politically defended. All the different institutions and structures of a country are integrated into a nation’s social configuration (influenced by culture, history) to shape the social system of production (Hollingsworth and Boyer, 1997). The argument is that the way a nation organises its economic activity and the way transactions are taking place is a function of culture and society. Thus it is important that we be sensitive to the social context in which transactions are embedded and that we understand the degree to which social bonds exist between transacting actors. Given that there is a large array of institutional arrangements for effectively organising modern societies, the challenge for us in the African context is to find, and understand, the institutional arrangements that will deliver viable economic performances.

The case for new ideas and new principles?

In light of changing circumstances in world agriculture and agricultural markets as a result of the process of agricultural industrialisation there is the danger that small farmers will be marginalised and excluded from high value markets (Reardon and Barret, 2000). Poor farmers from disadvantaged regions on the African continent face a double challenge to enter a very competitive and deregulated domestic market as well as having to deal with the challenges posed by the process of agricultural industrialisation. It is therefore a major challenge in Africa to prevent marginalisation and exclusion of poor farmers and to find ways to link small growers to high value markets.

The only way empowerment of these farmers could take place is to ensure some form of linkage with agribusiness (including traders, market agents and the traditional range of value adding enterprises in the food chain), which will secure market access for them on a sustainable basis.

Some earlier efforts by parastatal development corporations and some agribusinesses to open agricultural markets for poor rural communities are commendable but the challenge is so huge that much more needs to be done. Improving on-farm productivity for increased sales could be one way of stimulating commercial activity and thereby linking them to markets. However our experience with development efforts over the years has clearly shown that this approach is not sufficient because access to markets (and finance) seems to be more important for economic success. Poorly developed links with agribusiness and with high value markets have reduced incentives in agriculture to such an extent that farmers in many cases have abandoned farming activities. This has been a major problem not only amongst farmers of perishable commodities such as dairy, fruits and vegetables but also of grains, oilseeds and beef. The lack of market access is often attributed to poor infrastructure and communication. But sometimes it is just poor quality or quite often lack of trust that creates the perception that these farmers’ products do not comply with the basic minimum requirements in order for them to be sold.

Non-market co-ordination mechanisms

The background and context just described provide enough justification for the ideas on the changes in thinking with regard to institutional analysis that are required
for more appropriate institutional design to solve the problems of smallholders. The implication of looking at institutions that are more non-market orientated demands that we take note of a number of aspects that need to become part of our ‘tool box’ to help us put these institutional arrangements together.

Given the context and the understanding that the market will not provide a satisfactory outcome, there will be many more personal transactions, between big business and small farmers and between different cultures and fewer arms-length transactions. This is partly a function of poor market access but also a function of the change in food markets and the need for stricter co-ordination. So what are the new ideas we need to take note of in order to deal with this challenge?

The New Economic Sociology and the concept of Intersubjectivity

Following on the standard critique in the literature of homo economicus and the atomistic agent, it is necessary that we realise that in dealing with the problem of empowerment we work with different agents – non-atomistic and non-homogenous agents. Each agent is shaped and influenced by social, cultural and economic structures and this needs to be analysed and understood. There is a strong interface between the individual and society confirming the point that economic agents are socially embedded. So what we are arguing is that individuals are not acting individually but act socially or as members of a group. Davis (2001) therefore introduces the concept of the socially-embedded agent by showing how individuals and their institutions and social values influence one another. So when different agents with different social values engage in transactions this could provide interesting challenges for the selection of the co-ordinating mechanism to ensure an efficient outcome.

In mainstream economics it is considered that individual actors (or agents) make independent decisions and are influenced by other actors. In sociology other actors influence actors. As economists began to recognise that actors are influenced by other actors as described earlier we see economics infiltrating sociology under the banner of New Institutional Economics (NIE) (Richter, 2001). The New Economic Sociology (NES) paradigm was the response from the sociologists to this infiltration. The NES again takes on board the concept of embeddedness discussed earlier by arguing that “economic action takes place within the networks of social relations that make up the social structure”.

The NES is critical of the naïve construct of the NIE focussed only on transaction costs. They argue that issues of power, trust, embeddedness, social relationships and networks are much more important – especially in the African context where we have inequality in (economic) power. The NIE, as mentioned earlier, still focus on economic rationality and ignore issues such as fairness, trust or power. If we just look at how business is done today in Africa, a lot relies on sociality and friendship or just plain good contacts you have made through related activities, such as the church, society, sport, etc. Getting into the “social network” is not easy for those not sharing the same society and the same culture and these actors are thus often excluded from business deals. The role of culture in economic behaviour should therefore be better understood.

A number of the concepts from sociology such as power, fairness, social networks, altruism and status can become very useful when we need to analyse and provide solutions to the process of economic empowerment.

Social capital and trust

Social capital is also a term that is borrowed from sociology and has become of increasing interest to economists (Peterson et al., 1999) to explain choices that are made outside the market and that were previously not addressed by neo-classical economics. Robert Putnam’s (1993) work on social capital also falls within this framework, but social capital is also incorporated in transaction cost economics as an important element to cut down on the costs and uncertainty of market exchange, thereby increasing the efficiency of transactions. Social capital refers to social connections or networks, norms and trust, all of which can facilitate co-operation in society and ultimately have effects on economic performance (Putnam, 1993; Ensminger 2000). It is now increasingly being recognised that social connections and networks should be studied to explain economic behaviour and organisation.

Social capital consists of relationships found in social structure that are appropriate for productive use by an actor. Peterson et al. (1999) adopt the definition of Robison et al. (1999): “social capital is the sympathy or sense of obligation that a person or group receives from another person or group that may produce a potential benefit, advantage, or preferential treatment from that other person or group beyond that which might be expected in a selfish exchange relationship”. Under this notion of social capital, the basis for mutual interest is the sympathy or obligation of one transacting partner towards the other. The origin is the social connectedness of the two parties and not self-interest or authority. The potential of social capital is that each partner will forego opportunistic behaviour thereby lowering transaction costs. Krug and Polos (2000) also argue that the building of social capital is seen as urgent and crucial investment for new firms where the building of personal relations is more crucial for the survival of a firm than direct access to resources. Here again we emphasise the importance of social networks.
for successful business and thus successful economic empowerment.

The issue of social capital becomes important in trying to understand and analyse the many failed empowerment initiatives and failed transactions and linkages between agribusiness and poor farmers in Africa. These initiatives or transactions often performed poorly because of cultural misunderstandings, suspicion, limited attempts to create effective interpersonal relationships, missed opportunities to understand the nuances of communication, friendship and partnership. Or sometimes it is just a general lack of understanding of how other stakeholders behave in the business process. One should however keep in mind the different values, behaviours, rationality, risk management of farmers, brokers, traders, financiers which could make it difficult for the transaction to take place. It is thus not only trust or social capital reasons which influence the success of the transaction as is well illustrated by the theory of conventions (Orléan, 2004; Boltanski and Thévenot, 1991).

The concept of social capital therefore gives an underlying rationale to the importance of studying culture and relationships in our empirical work. This is even truer in the multi-cultural context of South African agriculture and also within the context of our historical legacy where mistrust between different groups have been the order of the day.

In terms of the concept of social capital we can argue that trust is the single most important aspect. It is recognised that trust seems essential to commercial transactions that are not fully controlled by either legal constraints of contracts or the economic forces of markets. From the literature it also appears that trust plays an important part in the formation of relationships. There is literature that links trust with transaction costs by arguing that when exchanges take place in an atmosphere of trust, transactions are less costly to complete. There are now many initiatives in Africa from donors, agribusiness and economic consultants to build linkages and to make agricultural commodity markets work for the poor. I would argue that the building of social capital is a crucial prerequisite for success in these efforts.

How do we build social capital? Peterson et al. (1999) argue that this can be done through repeated transactions between partners. During the transactions expressions of friendship, common values, common goals and mutual respect would all be appropriate for building social capital. Establishing trust will be the key to building social capital. On the other hand trust is an act that evidences the existence of social capital in a relationship. High trust relationships between partners result in less searching for alternative partners, more commitment, etc.

Direct social capital – mentioned here – takes much time and effort to create due to the fact that a lot of attention should be paid to trust over many personal interactions and many economic transactions. Indirect social capital arises from one’s reputation for trusting relationships with others (Peterson et al., 1999).

Conclusion

This paper made a strong case for an extended paradigm in agricultural economics to include the strengths of sociology and anthropology in order to be better equipped to tackle the challenge of agricultural development. The point that was made throughout is that standard economic theory sacrifices far too much relevance in its pursuit of ever-greater rigour. Given the challenges, greater efforts need to be made to integrate the building of theory in economics with the study of reality. Here some contributions from other social sciences could be very helpful.

At the end of his Nobel Prize Lecture in 1993, Douglass C. North (1993) said the following:

“We cannot account for the rise and decline of the Soviet Union and world communism with the tools of neo-classical analysis, but we should with an institutional/cognitive approach to contemporary problems of development”.

In the context of this paper we could replace a few words in the sentence so that it reads: We cannot address the problems of the (agricultural) economies of developing countries with the tools of neo-classical analysis but we should with an institutional/cognitive approach to contemporary problems of agricultural development.

Following the argument presented here, which largely corresponds with North’s (1993) remarks, the expanded paradigm or analytical framework for agricultural economics required to deal with the agricultural problems of developing countries needs to take account of the following aspects:

- The combination of formal rules, informal norms, and enforcement characteristics shapes economic performance. Formal rules can be changed quickly, whereas informal norms change gradually, but informal norms provide the legitimacy for formal rules. Hence, systems and rules that work in one economy cannot be imposed on another, because the context is usually different.
- The political elite significantly shape economic performance because they define and enforce economic rules. Understanding how political elites function in developing countries thus becomes an important focus for research.

The intention here has not been to “debunk” neoclassical economics, but rather to acknowledge the flaws of
the neoclassical building blocks of agricultural economics: it largely leaves out areas of human behaviour, ignoring collective action, politics, sentiments, purpose, values, equity, psychology and institutions. In the process other disciplines and alternative investigative frameworks have been identified, which can be added to the “agricultural economics toolbox”. In doing so we are sharing in the ideas and philosophy of Gary Lynne, Frederick Hitzhusen and A. Allen Schmid to move towards an “Institutional and Behavioural Agricultural Economics”. This should be a more relevant paradigm for addressing the agricultural development problems of low-income countries. At the same time we now acknowledge the value of some of the French Schools of thought such as “Regulation Theory” (Boy er, 2004) and “Theory of Conventions” (Orléan, 2004) that up to now were largely inaccessible to many of the Anglophone scholars resulting in the continued dominance of the Liberal Market Economic philosophy in their training.

As a part of an effort to broaden the standard training programme of agricultural economists, a group of universities in Eastern and Southern Africa joined forces to develop a common curriculum for a Masters degree which includes one module dealing with these interdisciplinary issues as highlighted in this paper. The core text prepared for this module seeks to contribute to rectifying the process whereby agricultural economists have failed to engage with Africa’s agricultural problems outside abstract conceptualizations and have failed to adequately come to grips with the real problems facing agricultural policymakers. This text draws the attention of economics lecturers, students and working professionals to these issues, setting out core institutional economics concepts and theories, and examples of their application to agricultural development problems in a single and accessible text. At the same time the text that was developed to bring about this inter-disciplinarity was strongly influenced as mentioned in the introduction by exposure to French approaches to social and economic problems. The collaboration with French schools of thought combined with a collaborative African effort to bring our curricula closer to reality has brought about the first effort to broaden the scope of agricultural economics training. Clearly the North-South and Francophone-Anglophone collaboration provided an impetus that stimulated new ideas amongst the partners in the South. As argued in the paper, this alternative approach could produce agricultural policy analysts with a broader set of theoretical understandings and practical skills, including a critical understanding of both neoclassical and institutional theories that can draw lessons from the successes and failures of both state-led and market-led development policies.

It should be noted that there are limited discussions on the disciplinary aspects raised here. On the other hand we have seen the strong emergence of the application of some studies on transactions costs and governance issues trying to explain the failure or the under performance of markets. It is however true that many of these debates or research results have led to minimal structural changes or institutional innovation in agricultural markets and the way the state should engage with the realities and challenges of agricultural development. The actions are still dominated by neo-liberal policy informed by the Washington consensus. The recent food price crisis might however be a strong wake-up call for governments to consider alternative systems and structures to deal with the challenges they face.

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