

# **The Role of Agriculture in Socio-Economic Development: A Historical Perspective**

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**Abstract:** The paper highlights the role of agriculture in socio-economic development from both historical and comparative perspectives. It covers a short history of agriculture in the major regions of the world, especially North and Latin America, Russia, Western Europe, Middle East, Eastern Europe, India, Pakistan, Bangladesh, Burma, Thailand, China, Japan, New Zealand, including the regions of primitive communities. Indications have it that agricultural development is the pre-condition for a balanced national development. It helps both material and non-material sectors to grow. And any neglect to it does hinder a nation's pace of economic development. Hence it seems imperative for a developing country to draw lessons from the 'developed' countries to identify its priorities for national development at the threshold of the 21<sup>st</sup> century.

## **Introduction**

Agriculture has been contributing much to the needs of industrial development, urbanization, infrastructure development, foreign exchange reserve, and so on, especially at the take-off period of a developing country's 'national development efforts'. Julius K. Nyerere<sup>1</sup> of Tanzania said that schools, hospitals, houses and industries were built by foreign loans but the loans would be repaid by exports from agriculture. To quote him "The foreign currency we shall use to pay back the loans.....where then, shall we get it from? We shall get it from the villages and from agriculture".<sup>2</sup> Since agricultural development occurs within a socio-political milieu, community development, institution-building, and transfer of technology and agricultural planning are all influenced by social, cultural and political variables.<sup>3</sup> Economic historians generally concur

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that there are no cases of successful development of a major country in which a rise in agricultural productivity did not precede or accompany industrial development<sup>4</sup>. A.G. Youngson mentions: "Every economy has an agricultural and a non-agricultural sector and one of the most important aspects of development is the changing phenomena and complex but always intimate relation between the two"<sup>5</sup>. In an article, "An agricultural Surplus as a Factor in Economic Development", Nicholls<sup>6</sup> has put up greater precision to the concept of an agricultural surplus. Johnston and Mellor<sup>7</sup> have discussed the product, foreign exchange, labor factor, capital creation and market contributions which agricultural sector makes to the development of the nonfarm sector. North<sup>8</sup> shows that under certain conditions, export agriculture can play a central role in initiating overall growth of a region or a nation. Nicholls<sup>9</sup> views that rising agricultural productivity supports and sustains industrial development in such important ways as:

- a. It permits agriculture to release part of its labor force to industrial development while meeting the increasing food needs of the non-agricultural sector.
- b. It raises agricultural incomes thereby creating the rural purchasing power needed to the new industrial goods and rural savings, which may then be mobilized by direct or indirect means to finance industrial development.
- c. It enables agriculture to supply the major wage -goods (food grains) to industrial workers at prices favorable to the profitability of new industry.<sup>10</sup>

### **Agricultural History**

The agricultural system throughout the world may be divided into four categories<sup>11</sup>. First, shifting cultivation found in Amazon Basin and adjacent areas of South America, in most

regions of intertropical areas of Africa, in a number of remote jungle areas in India, in most the less populated parts of both peninsular and insular East Asia, in the highland areas of Mānchuria and Korea and in aboriginal South West China. Such a type of agriculture was formerly widespread in many parts of Europe, in North West Spain and in the black forest. At present about 200 million population covering an area of 14 million sq. miles are engaged in shifting agriculture.

Second, simple sedentary cultivation with hand tools represents the fixation of shifting cultivation found in the use of permanent gardens to grow bananas, coconuts, sago palms in South East Asia, 'Woman' garden's in many parts of Africa, South of Sahara.

Third, simple plough cultivation covers the area stretching from the Mediterranean and the Balkans to the Japanese archipelago and central Asia to Sri Lanka. Agricultural technology is still dominated by simple, traditional plow culture, only limited affected by agrarian revolution. In the Middle East from Afghanistan, Iran to Egypt animal drawn plows appeared much before 3000 B.C. and irrigation with a wide variety of types as karez in Iran. Some of the latest agglomerations of population depend on an association of plow and the other simple animal drawn tools with irrigated rice cultivation. This sub-culture covers much of Sri Lanka, Southern India, Bengal and Assam, the deltas and mainland South East Asia, Java, Sumatra, the Philippines and Southern China and Japan.

Fourth, the agrarian revolution: the sources of changes in European agricultural development of the last three hundred years lie, of course, in agrarian revolution in the widest sense of the term including not only the technical changes but also

changes in conditions of the landholding. A whole complex of development is thus involved:

- the introduction of new crops and breeds of animals;
- the effects of evolving communications on the specialization of agricultural production.

Structural changes in the agrarian system, evolving in the West and Japan and more recently the impact of the modern science and engineering as seen in mechanization, pest, and disease control, chemical fertilizer etc. played a vital role in this regard.

### **Agriculture in New Countries**

The United States, Canada, Australia and Argentina, initially under-populated and having an abundance of land, were soon able to achieve an agriculture characterized by high capital ratios, optimum sized farming units, and a high rate of capital formation.<sup>12</sup> Thus with the growth of population as an asset these new countries were able to produce large food and fiber surpluses and were direct beneficiaries of Industrial Revolution. They got Western Europe as market for agricultural products. Thus agricultural progress was a major contributor to their subsequent economic development and apparently established with a minimum of time, effort and social hardship. Even in the new countries, however, initial agricultural development was not always favorable. We can mention the name of Argentina<sup>13</sup> and Brazil. This outcome may be due to Brazil's neglect of social overhead investment (as education and transportation) in part and due to its failure to develop public land settlement and immigration policies and partly to a socio-political structure favoring land ownership.<sup>14</sup> Though Argentina<sup>15</sup> had a progressive agricultural policy but development delayed in part because it suffered historically from an agriculturally based oligarchic

socio-political structure which had serious deleterious effects on progress. In Latin American countries<sup>16</sup> including Southern United States agricultural development retarded due to defective social organization, war and political instability and to low investment in social overhead. These countries had market problem also for exports since rise in agricultural productivity was far less urgent in most of these countries (New and Latin American countries) than in the overpopulated Far East, they were already in a position to put considerable emphasis on industrial development. Nevertheless, agriculture can still become a serious bottleneck if it is neglected in overall development programmes.<sup>17</sup>

### **England and Western Europe**

The revolutionary character of the industrial take-off period 1780 to 1850, in the Western European countries was supported by favorable agricultural conditions<sup>18</sup>. West Europe had by then enjoyed a long period of agricultural improvements and experimental farming with the introduction of high yielding new crops and had greatly improved in efficiency of livestock production. Furthermore, the rising agricultural productivity was initially far from offset by population increase as population explosion in Western countries came after rather than before the take off period.<sup>19</sup> Consequence, along with other things, was the creation of free rural labor class surplus of which was then available for alternative non-farm employment. In England, the landed aristocracy became more profit minded, giving new impetus to the enclosure movement considering land into large and more efficient holding. Increasing agricultural productivity made possible substantial self-financing of capital promotion in the agricultural sector.<sup>20</sup> Rising agricultural productivity also supported the countries of later take off period like France, Belgium, Germany and Sweden. Small scale peasant proprietors

continued to control much of their agricultural with a considerable degree of efficiency.

### Japan

As in former Soviet Russia, it was mainly the Japanese peasant who paid for what Marxists called primary capitalist accumulation, the gathering of sufficient capital to make the leap from an agrarian to industrial society. In Japan<sup>21</sup> with the mechanization of agriculture the demand for "labour increased because double cropping started with the imposition of new taxes as the farmers increased the productivity to pay the new taxes"<sup>22</sup>. Of course, the Japanese experience was almost exactly the opposite the Soviet one. The peasant did pay for the beginning stages of industrial growth. Crop yields were estimated to have doubled between 1880 and 1940.<sup>23</sup> Johnston<sup>24</sup> estimated during 1881-90 and 1891-1920 agricultural production increased by 77 percent with an increased yield per acre of 46 percent. One of the very important steps Meije government (1868-1921) had taken was to incorporate the peasants into conservative body politic by the adoption of military conscription (1872-1873).<sup>25</sup> Between 1920 and 1927 some 30% percent of those entering the cadet corps were sons of small land owners, rich farmers and urban petty bourgeoisie.<sup>26</sup> Another was establishment of universal and compulsory education system.<sup>27</sup> By 1894, 61.7% of all eligible children were attending primary school, soon after the turn of the century all of them were at school. Both under Tokugawna (1600-1868) and Meiji (1868-1912) commercial landlord replaced the feudal overlord. In Japan the advent of the modern world brought with it an increase in agricultural production, but mainly through the creation of a class of small property owners who extracted rice from the peasantry through a mixture of capitalist and feudal mechanisms.<sup>28</sup> There<sup>29</sup> is general agreement on Japan's

economic development that agriculture's contribution to the task of building a strong industrial base was considerable one. It provided export earnings and import substitutes which helped in acquiring machinery and raw materials which had to be brought abroad. It managed a steady expansion of the supply of staple foods which enabled a growing town population to be fed reasonable cheap food. It contributed through the land tax a substantial portion of the funds which provided the infrastructure of communication, government and education, and through the profits of the landlords some of the capital which developed especially the small industries. And it was in part of a growth in productivity which made this "squeeze" possible without such a drastic lowering of rural living standards as to cause in the controllable political instability. Japan's land tenure, family, village organization, and the total social structure were responsible for such a success. Japan launched its economic development with severe over population with per capita income probably approximating the low levels of most of to day's Asian countries and with average farm unit consisting of only 2-3 acres of highly fragmentized land <sup>30</sup>. The causes of increase in Japanese agricultural productivity are use of commercial fertilizer, high yielding variety of seeds, improved methods of irrigation, pest control, weeding etc. <sup>31</sup> It caused Japan relatively small direct capital outlay, necessitated a minimum of social dislocation and appreciation of knowledge and government investment in the social overhead for agricultural research and extension. <sup>32</sup>

### **Eastern Europe, Former Russia and China**

The agrarian reforms of the 1860's and after marked a fundamental turning point in most of the Eastern Europe. This was particularly true in Russia with vast geographic extent and basically rich resources. <sup>33</sup> During 1918-21 the entire non-

agricultural economy was brought under direct state control, food was requisitioned forcibly from the peasants, often without compensation.<sup>34</sup> By 1936 collectivization was won by at the cost of the loss of the half of the nation's livestock and much of its agricultural capital. Nonetheless, collectivization did permit former soviet govt. to extract from the peasantry large quantities of the grain at a low cost causing the peasants in the residual claimants to the serious detriment of quality of their own consumption.<sup>35</sup> Circumstances of former Russian agriculture at the outset of its industrial revolution were much more favorable than those facing most of to-day's overpopulated countries of the middle and Far East.<sup>36</sup> The leaders of the communist states generally decided that rapid economic growth and development of economic power required a concentration of resources in industry. They demanded great sacrifices from their peoples and hence tended to neglect the development of agriculture which produced consumer goods and raw materials. Capital for the development of industry had been obtained from agriculture by confiscation of land and agricultural commodities had been used to pay for imports of industrial equipment, investments and current imports into agriculture had been severely restricted and movement of the better educated and more productive labor for the countryside into industry had been fostered.

In the former Soviet Union the stagnation of agriculture had become a threat to the future rate of industrial growth by the time of Stalin's death and during the period of 1954-58 Khrushchev sought to achieve better balance between agriculture and industry. The production of total investment going to agriculture was raised and a number of changes in the organizations of the agriculture was made. Similar changes were reflected in the policies of the Eastern European countries. However, since 1958 there had been little increase and in 1961-

62 there had been an attempt to stimulate the lagging agriculture sector.

In mainland China a drastic drop in farm output after 1958 and the spectacular collapse of the "Great leap forward" in 1960 brought about the adoption of more realistic measures with a shift in the priority from the development of heavy industry to the improvement of agriculture. Collectivization was relaxed and measures were undertaken to provide greater incentives for farm production.<sup>37</sup>

In former Soviet Union agriculture used about 45% of the total labor force and in recent years had revived about 15% of the total investments while producing about a fourth of the material income. In the Eastern European countries the proportion of the labor force engaged in agriculture ranged from about 18% in former East Germany to over two thirds in Rumania, while agriculture's contribution to the national income ranged from less than 10% in former Czechoslovakia to one third in Bulgaria. In China more than 80% of the labor force was occupied in agriculture which produced about 50% of the national income. North Korea and North Vietnam were primarily agricultural countries.

In the period 1955-61 agricultural commodities accounted for about 21% of the former Soviet Union's total exports. China had exported farm products and products manufactured from agricultural raw material to pay for imports of machinery and heavy industry.

Collective farming was the dominant form of agricultural unit in former USSR. The collective farms and nationalized rent-free land were nominal co-operatives with elected chairman

and management committee. However, the proportion of the total sown area of collective farms declined from 84% in 1953 to about 60% in 1960 because of the conversion of collective farms to state farms. The state farms (Sorkhoz) covering one third of the total sown area in 1960 were owned by the state and the farm workers were like factory workers. These labors were more specialized, more productive than collective farms because they had received most of the investment which state had made in agriculture.<sup>38</sup> About 3% of the total sown area was cultivated by private farmers with land and the livestock. The farmers and their families consume part of the produce from the plots, the remainder, when sold largely in the free markets continued a significant share of farmers money income. With the exception of former Yugoslavia and Poland the organization of agriculture in Eastern Europe was generally patterned after that of Soviet Union. In Yugoslavia<sup>39</sup> and Poland although collectivization of agriculture remained a long run goal, 85 to 90% of the farmland still was privately farmed. In Poland after the disturbances of October 1956 most of the collective farms were dissolved and the total area in state farms was reduced.

The agricultural policy in China had been designed to increase agricultural output both for export and for feeding the growing urban population with minimum state investment, while maintaining central political control over the countryside. The Chinese communists had made strenuous efforts to achieve a breakthrough in agricultural as well as industrial production. During the decade from 1950-60 the leader experimented with various combinations of centralized and decentralized control of rural areas. China's problem was more difficult than that facing the former Soviet Union before collectivization. Chinese agriculture did not produce substantial surplus, which could readily be exploited by the state. By 1952 the landlord class was

essentially eliminated and their land was distributed to poorer peasants. By 1954 and 1955, compulsory delivery quotas were established to provide the state with more farm products and by the winter of 1955 the regime had decided on full collectivization with party cadres in charge of co-operatives. It was expected that the cadres would ensure the meeting of the state's needs for agricultural commodities, set aside larger shares for investment and make effective use of the seasonally unemployed labor in the construction of roads, irrigation works and other projects.<sup>40</sup> Despite the shortcomings of the communes, the harvest of the major crops increased aided by excellent weather. However, the regime later admitted that early claims of agricultural production were greatly exaggerated. The unusually good harvest of 1958 and unreliable statistics made it difficult to ascertain the effects of establishment of communes, but by the early 1959, government decided that output of the products formerly grown on the private plots had been seriously effected. The rural markets were reopened but with tighter control than formerly and in 1960 private plots were restored.<sup>41</sup> In essence communist economies were guided by central authority towards centrally determined goals. The function of the price was severely restricted and with the exception of limited free markets, prices were not free to respond, quick to supply and demand conditions. Generally rents from the land were eliminated in the communist countries.

After a few years of free prices in the National Economic policy period former Soviet Union established a system to compulsory deliveries of farm products to the state at a very low price. Prices paid by the state for most food commodities changed very little until 1953, although the prices of some industrial crops were raised during the period. In 1962-63

increases were made in the prices of grains, potatoes, sugar beets, livestock products and cotton.

The agricultural pricing system in Eastern Europe had greatly been patterned after that of the USSR with some variation from country to country. Yugoslavia abolished compulsory deliveries in 1953 although there were maximum pricing and ceilings.<sup>42</sup>

In China from 1950-53 state bought agricultural products from the peasants at centrally determined prices and collected an agricultural tax in kind, 90% of which was paid in grains. It was necessary to reduce quotas in 1956 in order to leave enough to the peasants for seeds and feed as well as for their own consumption. In 1956-57 the purchase prices were adjusted in an attempt to control the relative production of major crops but the results were disappointing.

Collectivization drive in former USSR started in 1928 with resistance by farmers by slaughtering their livestock. In 1952 agricultural output was only 6% greater than in 1928. Though seven year plan (1958-1965) put target of 77% increase in agricultural output at the end of the plan. In 1963-64 former USSR constrained to buy more than 10 million tons of wheat and flour from western countries, of course, part of this was exported to Eastern Europe. Except former East Germany and former Czechoslovakia in other Eastern European countries output reached pre-war level or above by early 1960s. Per capita agricultural output had barely exceeded pre-war level in 1961-62.

Labour productivity, though no confirmed data, was low in all former communist countries. The relative scarcity of capital

was one of the reasons for low productivity of labour in former USSR. Despite the fact that former USSR had about 60% more land in crops than in U.S.A. Soviet agriculture was specifically wasteful of labour in animal husbandry, in part because poor management and wasting practices and in part because of a lack of labor saving equipment. Although former USSR had a very large labor force but there was seasonal shortage, especially during the peak periods, lack of skilled persons.. Only older and woman folk were the major force in former USSR agriculture.

In former East Germany, the loss of agricultural labor to the urban countries and to former West Germany had been at too great a rate to be adequately balanced by the increase labor-saving machinery, through the number of tractors tripled between 1950 and 1961. The shortage of labor had been so great that members of 'Armed Forces' and urban workers had been required to help at the harvest time.

In former Czechoslovakia the agricultural labor force declined one-third from 1950-1961, while agricultural output rose 10%. Agriculture occupied about 38% of the total labor force in 1950 and 23% in 1961.

In Rumania, up to the early 1960s the agricultural labor force remained at the level of 1938. However, during the harvest season it was necessary to obtain additional labor from factories, schools & armed services.

In China the rural-urban shift in population had little impact on the farm labor force although between 1950-56 the population of urban countries rose by more than 30 millions or 55%. After the collapse of the "great leap forward" lack of jobs in the cities and the desperate need for food compelled the

regime to institute a campaign to return to people to the countryside. In their pursuit of rapid industrialization, China's leaders attempted to make use of their relative abundance of rural areas as back-yard furnaces built during 1958-59 to produce pig iron but was abandoned in 1960 as the demand of the programme on the health and strength of the people were excessive.

### **Agricultural Capital**

The portion is basically based on Johnson's article on "Capital".<sup>43</sup> The formation, use and movement of agricultural capital help explain difference in the productivity of diverse agricultural economics and in the welfare of farmers and non farmers the world over. By studying capital it can be understood some of the differences in productivity between private and public managed Nigerian and Thai rice producers, Western European and Soviet, Eastern European or mainland Chinese agriculture.

Once a farmer has acquired the ability to produce enough to feed himself and his family,<sup>44</sup> he can divert part of his energy and resource to produce more tools, buildings, paddocks and livestock in production. The reason for failure or slow capital accumulation may be as:

- i. high rates hence, high demands for the means of subsistence;
- ii. meagre natural resources;
- iii. military action (war, revolution)
- iv. demands for agricultural output and capital for developing non-farm economy; and

v. exploitation of agricultural by public measures

Various countries have used different combinations of policies and programmes directly or indirectly both to promote agricultural production and to obtain capital to develop their non-farm economies<sup>45</sup>. The results have varied from starving people and unsupported industry at one extreme, to farm surplus, rapid farm capital formation, low food prices, and substantial transfer of people and income out of agricultural for industrial development at the other extreme.

In the USA from 1870 to 1960 agricultural production raised four times through new technology, group of entrepreneurs, improved animal breeds, improved plant varieties and species<sup>46</sup>. The income flow had been largely voluntary in the form of inheritance to off-farm migrates a process free of social and political problems.

In sharp contrast to U.S.A many developing countries had taken drastic steps, including taxation, appropriation and export or other levies on exportable farm products to transfer income out of agriculture to develop non-farm economy. Results of such policies had been far from encouraging, former Soviet Union, China, Thailand, Argentina, & Nigeria being the cases in points.

An alternative policy followed in the USA from 1870-1960 had also been characterized of Denmark, Australia, New Zealand and England. It was the basis for the current expansion in agricultural output in Western Europe. These new institutional arrangements facilitated more specialization, better prices to farmers, and /or wider markets for those products which could be produced at a

comparative advantage. Also, greatly expanded capital investments were being made in both education of farmers and in the development of agricultural technology, while capital investment in direct farm production was left in the hands of farmers rather than carried out by the governments. Broadly speaking it is possible to group the experience of various countries at different times in four categories :

1. Success with substantial resources as in U.S.A, New Zealand.
2. Success despite meagre resources as in Japan and Switzerland
3. Inability despite substantial resources as in former U.S.S.R, Argentina (Since 1930)
4. Inability in the presence of meagre resources as in Albania, Haiti & perhaps India.

Major differences between the successful & unsuccessful countries can be summed as:

1. In successful countries favorable rates of return had been maintained as incentives for private farmers to adopt new technology, skills etc. for further return, in unsuccessful cases returns were taken away as means of taxes etc.
2. In unsuccessful cases land rents were eliminated but not in successful cases.
3. In successful countries there was public investment for broad general education as in Japan <sup>47</sup> by 1900 all eligible children were attending school but not in successful countries so broadly.

4. There was heavy investment in agro-science and research in successful but not having on other cases.
5. In unsuccessful ones capital was forced out of agricultural but in successful it was voluntarily as in USA.
6. In successful cases flow of capital out of farm to non-farm was more than unsuccessful though forced.
7. All successful but only some of the unsuccessful had substantial public investments in roads, communications, irrigation, drainage, market facilities etc. indirect support of farm production.
8. Some of the unsuccessful were characterized by fairly permanent public investment in direct agricultural production as state farming but none of successful did so.
9. In successful cases individual farmers were helped but not in unsuccessful generally.
10. Among both the successful and unsuccessful there were countries that had been benefited from substantial foreign markets, some had received foreign aid and some not.

In case of heavy taxation or confiscation expansion in farm output and capital formation is retarded, examples; rice production in Thailand and oil production in Nigeria. On the other hand just opposite situation happened in the same two countries from 1944 to 1962, in the absence of assessment and public supported research and extension programme.

### **Agricultural Credits**

Agricultural credit<sup>48</sup> is the term applied to funds borrowed by individuals, farm business and others for use in producing.

strong, processing and marketing crops and livestock products. Modern farmers require increasingly large amounts of capital. Credit is only one of the ways of supporting this capital. Usually the borrowers are farmers but there can also be other agriculture producers as ranches in the Western United States, Graziers in Australia, co-operative farmer's associations, farm partnership and corporations. Some times the term includes funds extended to agricultural marketing firms and to those supplying services to agricultural such as machinery, equipment, seed, fertilizer and seed companies.

Those supplying agricultural credit include individuals, commercial and savings banks, co-operative associations, government sponsored credit agencies, life insurance companies, mortgage and loan associations, farm service companies and agricultural marketing associations including co-operatives. In general, both commercial credit institutions and government sponsored programmes are most active where industrial economies are advanced and agriculture is highly commercialized. Direct Govt. aid programs usually originate for specific purposes, such as aid to low-income groups reclamation and development, permanent improvements or help.

In countries where economies are not highly developed, a non-institutionalized type of lending by merchants, local money lenders and landlords tend to predominate short term and long term loans as the case in India & Bangladesh.<sup>49</sup>

### **Developing Countries**

Most<sup>50</sup> typically agricultural activity in developing countries is carried on by a person who combine in a single household the functions of managing and providing labour for a settled farm. This type of agricultural may be called peasant farming. The

peasant farmer occupies an intermediate position on the continuum between agricultural labour and specialized manager.

Peasant agriculture dominates low-income economy of much of Asia and to a large extent those of Africa and Latin America, which offers substantive opportunity for rapid increase in production through increasing the productivity of existing resources, but concurrently it presents major problems in changing an existing system. Farmers in traditional agriculture quickly adopt an innovation that is profitable under their conditions.

### **The Requisites for Modernization**

Modernization of peasant agricultural does not require change in its basic structure. Peasant agriculture is well suited to modernization and peasant farmers are already reacting in an economically rational way within their environment. What is needed to bring about decisions that will increase production and income to change the environment within which peasant farmers make decisions. This is largely a matter of institutional change and, although it is true that major increases in production require a complex reformation of institutions, it is often the case that only one or two sets of institutions are limiting at a specific time<sup>51</sup>. Factors helping the peasant economy are as follows:

1. Land Reform should be free from landlord's influence so that they cannot get more from peasants.
2. There should be new technological research scope as in USA and others.
3. New knowledge along with seeds, fertilizer etc. should be evolved.
4. Improved credit facilities are needed for the peasants.

5. Likewise increasing marketing facilities may be important in modernization, particularly when combinations change or bulky perishable products are produced in much larger quantity.
6. There should be transport facility to far-flung areas. The key to modernization to traditional peasant agricultural is to provide institutions for facilitating the development and application of technological advance, thereby increasing the productivity of the existing stock of resources. The economic return to such an effect tends to be high.

Until underdeveloped countries like Bangladesh succeeded in achieving and sustaining either through domestic production or imports a reliable food surplus, they have not fulfilled the fundamental pre-condition for economic development<sup>51</sup>. England, western Europe were able to initiate industrial revolution because an agricultural revolution had already provided a domestic food surplus. Russian economic progress was made possible by an initially substantial food surplus but that, having neglected further agricultural progress, Russian now faces an important agricultural crisis despite its industrial development. Japan with a minimum of structural disturbance to an agricultural economy characterized economic development. China may have considerable success at the severe cost of personal liberty.<sup>52</sup>

### **Bangladesh**

Agriculture was and is the major sector in the socio-economic development of Bangladesh. In spite of the fact the gross domestic production (GDP) in agricultural is gradually being reduced to one third by this time. The GDP in agricultural was

57.2% in 1972-73 and 54.9% in 1980. Presently it employs the two-third of the country's labour force.<sup>55</sup>

The 5<sup>th</sup> Five Year Plan (1996-2001/2002) has targeted to achieve self-sufficiency in food in spite of a population of 132.50 millions at the terminal year of 2001/2002 producing 25.12 million tons of food grains (per head 453.59 grams/16.03 ounces daily).<sup>54</sup> Historically speaking the economic change introduced by the British stimulated both the internal and international market demand for Bengal's agrarian produce from the beginning of the 19th century. Industrial revolution in England, growth of railway in Europe, North America, India and Bengal, opening of Suez canal drew Bengal into a much more tightly integrated world economy<sup>55</sup>. The cultivator was skimmed-off by non-cultivating classes through rents, interest, and suppressed market prices.<sup>56</sup> Partition of 1947, generated a rural structure overwhelmingly dominated by peasant small holders, the great majority of whom own less than 5 acres of land.<sup>57</sup> Ayub's program of Basic Democracy institutionalized the political hegemony of the rich. The rural rich completely dominated the political scene in rural East Bengal.<sup>58</sup> The central segment of the bureaucracy and Army was from the western wing of Pakistan.<sup>59</sup>

Bengal's jute in particular, enjoyed a world monopoly. The primary exports generated a significant quantum of foreign exchange. This was the economic base upon which the govt.(Pakistan) determined to build import substitution industries through the "free-enterprise" of a small group of immigrant trading community.<sup>60</sup> Its practical goal was, therefore, to redirect the wealth generated by agricultural to the benefit of its chosen candidates. This involved three tasks: a) expropriating the agrarian surplus to provide initial "risk" capital for industry, (b) centralized the foreign exchanged earned

by agricultural to pay for the necessary imports & c) reorienting rural commodities to become raw materials for domestic manufacturers.

On an average from 1951-54, the agricultural exporter received approximately Rs.4.25/ (Pakistan Period ) while manufacturer received over Rs 8/16 for one US dollar of foreign currency due to overvaluation of Pakistani currency about 50% i.e. official rate of a pound was Rs 13/-but in Hongkong market it was sold at Rs 20/-.Around 1964 Pakistani silks, and silk textiles were 4 times the price of comparable and better quality goods on the world market. Popular clothing for the part cost 5.25 times the world market, sugar 3 times, electrical appliances 4 times and so forth.<sup>61</sup> In fact a greater amount of income was transferred from agricultural into industry. In considering a balance sheet of commercial transactions between agricultural and manufacturing sectors for the average year of 1964-65 difference between rural sales and purchases came to Rs 3662/-million. A comparison of this amount with the latter sector suggests that between 63% and 85% of savings transferred from agricultural were dissipated in non-productive expense.<sup>62</sup>

During Pakistan period, the most comprehensive study on 'savings' concludes that the rural area would still appear to be contributing at least three quarters of total private 'savings'.<sup>63</sup> In the 2<sup>nd</sup> five year plan (1960-65) 61.5 percent financed by domestic resources and 38 percent by foreign aid<sup>64</sup>

Income disparities have in fact led mainly to luxury consumption (conspicuous consumption), while investment remains financed by the indigenous rural and urban masses and imperialist power as foreign aid. Pakistan got foreign aid from all sorts of countries irrespective of blocks amounting double than India.

Research<sup>65</sup> into rural conditions by Dhaka University indicates a deterioration in the conditions of over 70% of the population of Bangladesh (East Bengal ) while means of production increasingly accumulate in the hands of the remainder.

United Nation's Organization's <sup>66</sup> statistics reveal that calorie intake has deteriorated while another study indicates an ongoing shift towards a starvation diet of bulk starch. After 20 years of scooping off something like one half of agricultural income, the rural areas of Bangladesh have been drained of resources and investment. Squalor malnutrition and eventually famine, and epidemic are the inevitable consequences of an economy left without surplus.

The Bangalee peasant's margin of surplus paralyses productivity, while usury becomes more profitable than investment in improved technique.<sup>67</sup> Class stratification deepened as the rich peasants, Middle East labors, village usurers accumulate land, and implements, in other words, means of agricultural production.

At the other end of the scale, about one third of peasant families clung to fragment of land as the only protection against the market, middlemen, money lender, and the govt. agents. In the bad years, like the present floods, both poor and middle peasants were increasingly forced to liquidate their capital in order to stave off ruin.

In order of help the agriculture from ruination the British administration in India enacted the Agricultural Loan Act of 1885 popularly known as Taccavi loan and started Co-operative Bank in 1904.<sup>68</sup> Subsequently the usurious loan Act of 1918 and Bengal Money lenders Act 1933 were enacted to keep the

interest rate at 10%. But that could not reap any substantial result. As the total loan provided by govt. was only Rs 96 crores for whole of Bengal. The agriculturists had no alternative but took loan from the local sources at high rate of interest.

In Pakistan period a three tier the East Pakistan Provincial Co-operative Bank was established in 1948 and two tier Comilla model of *Krishak Samabays Samity* (KSS) was formed in 1960<sup>69</sup> for overall rural development package deal including agricultural, health, education etc. for the farmers, weavers, fishermen, land less and other professionals. East Pakistan Agricultural, Development Corporation (EPADC) was established in 1962 to help boost up agriculture.

But all these could produce a minimum benefit to rural poor peasantry. The contribution from the institutional sources was negligible to have any change. Percentage of loan supplied from the institutional sources were as follows:

1955	1966	1977
4.4%	10-15%	13.88%

Though over the period the amount of institutional credit increased, the needy peasants could not avail that loan / credit. The rural rich, friends, neighbours and relatives were the major sources of loan/ credit at high rate of interest. The head of the expenditure was maintenance of family other than development or productive heads.<sup>70</sup>

As per a survey in 1980, 2% of population holds 25.1% of total land while 50% cultivators have no land. Small and marginal cultivators with small land size are selling their land to the rich and non -cultivators. In between 71 and 76 the land selling increased 5 times.<sup>71</sup> They flock together to the urban centres. The rich farmers and jotdars are appropriating benefit of

subsidized irrigation system. 50 million people live below poverty line. Development expenditure in agricultural has come down to 3% in 1986-87 from 5.2% in 1977-78.

Education for all remains a myth. It is a prerogative of the rich. During the period 1973-74 and 1980-82 the enrollment in university decreased to 27400 from 36836 (1973-74).<sup>72</sup> In secondary education the number of students decreased to 2,23,965 in 1980-81 from 2,63,897 in 1978-79. It is to be mentioned that the literacy rate is 32.4 in Bangladesh.

The major hindrances of Bangladesh agricultural may be identified as follows: low level of productivity, inadequate incentive, low level of technology, high price of inputs, low price of out put, subsistence farming, inadequate land use policy, under-employment, climatic uncertainty, lack of appropriate development strategies, insufficient credit supply, seasonal vulnerability of the cultivators, imperfect marketing system, lack of agricultural research and availability of appropriate local based technology, lack of rural infra-structure both physical and social, complex rural institutions and rural power structure and above all illiteracy.

### **Conclusion**

If agricultural productivity in the food sector is or becomes sufficiently high the nation may enjoy a food surplus of such magnitude as to permit the export on favorable terms of food itself, with correspondingly favorable effects on the balance of payments and domestic industrialization. Thus, it is clear under all circumstances, increasing agricultural productivity make important contributions to general socio-economic development and that within considerable limits at least, it is one of the pre-conditions which must be established before a take off and self-sustained economic growth becomes possible.<sup>73</sup> Higgins warns

about the dangers of "industrialization without an agricultural revolution and neglect the agricultural sector". Gunnar Myrdal also views the same in his master piece Asian Drama.<sup>74</sup>

The foregoing analysis on Bangladesh delineates the deteriorating condition of agriculture in Bangladesh, hence the overall socio-economic condition of the country. Though the soil is one of the most fertile in the world the production level is the lowest in the world even at the standard of the neighboring countries of India, Sri Lanka, Burma, etc. The poor peasantry is getting landless day by day. The GDP is decreasing though two-thirds of the labour force is engaged in agriculture. Modern scientific techniques of production cannot be used due to land tenure system, lack of capital, high price of inputs and low price of out puts. Illiteracy and poverty are the constant companions of the agriculturists.

But there is scope to change the state of affairs with the firm political will and proper step like as to provide the incentives to marginal and small farmers in terms of credit inputs and fair price. A bank to provide the small and marginal peasantry with credit may be set up.

The agricultural history reminds the consequence of the negligence of this sector. No further development in terms of social and physical is sustainable until and unless agriculture can be made surplus to feed the whole population. We believe there is scope with proper utilization of our resources. Bangladesh can produce 50 million tons of food grains provided per acre production can be optimized.

In Bangladesh productive mode is in transition. So far it is seen that rural rich (i) possess a good deal of land without being landlords of the classical type i.e. absentee non-rural class, (ii)

hire permanent workers as well as casual one to a significant extent (iii) do save a good part of their income but (iv) make little productive investment to modernize agricultural and raise production. Clearly the present phase is a watershed between feudalism and capitalism in agriculture, Extra economic bonds of kinship and community still cross cut and retard the operation of the market to some an extent. The present policy makers and planners may take a perspective step to the course of development in this context in mobilizing human resources as the agricultural production has been increased to a great extent in recent years. This historical analysis may lead to a pragmatic policy.

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