

In Defense of a Lost Cause: Cooperativism as a Solution to the Malawian Agricultural Predicament

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Malawi represents the developmental problems of Africa. In the past decades, Malawi has gone through a snapshot of the movement of the world's attitudes towards economic development from protectionism in the 1960's and 1970's, neo-liberalism in the 1980's, post-neo-liberalism in the late 1990's, and a current antagonistic battle between more or less state-intervention in agricultural policies. Malawi's history of economic policies and the overall history of most developed nations provide answers to the problems Malawi currently faces. Government intervention in the agricultural sector can help foster economic activity to create the conditions for private markets to develop. Most importantly, public intervention in the form of the creation of a cooperative system of production can work as in the case of the Israeli Kibbutz, the Mennonites in Canada and Mexico, and the fishing cooperatives of Ensenada Mexico, to push for economic, social, and political development. With the help of the international community and international donors, cooperativism in Malawi can become not a written reality but a concrete and material one that breaks the traps of poverty that haunt Malawi so much.

Introduction

Malawi is a small, landlocked, and underdeveloped country, located in Southeastern Africa. It represents the developmental problems of Africa, and the predicament that continues to haunt the world like a specter, and warns of our ineptness to help the continent. In the last few decades, Malawi began as a nation moving out of the conditions of British colonialism, and out of the material relations derived by almost one hundred years of British colonialism.¹ During the late 1960s and 1970s Malawi experienced a more protectionist form of economic development, being concurrent with the world's preferred economic outlook at the time.²

During the 1980s, it was hit by the neoliberal revolution, transmitted from the developed Western nations through the International Monetary Fund

and the World Bank.³ Later on, Malawi went through yet another stage of economic rearrangement with the introduction of a mixed form of development: neo-liberalism coupled together with a mild version of economic regulations; in other words the "post-Washington consensus."⁴ Finally, during the last decade Malawi has been pressured by international economic organizations to once again lift its economic regulations and finish liberalizing its entire economy, sparking an antagonistic reaction on the part of the Malawian government.⁵

Malawi continues to be one of the poorest nations in Africa with an alarmingly low per capital income of \$800, putting it at a rank of 180th in the world, and a gross domestic product of 12.81 billion, ranking it at 143rd in the world.⁶ Malawi's

¹ Encyclopedia Britannica. "Travel and Geography: Malawi." n.d. Encyclopedia Britannica. 9 July 2010.

² Lele, Uma. "Structural Adjustments, Agricultural Development and the Poor: Some Lessons from the Malawian Experience." World Development, 1990: Vol. 18, No. 9, 1207-1219.

³ Harrigan, Jane. "U-Turns and Full Circles: Two Decades of Agricultural Reform in Malawi 1981-2000." World Development, 2003: Vol. 38, No. 5, 847-863.

⁴ Harrigan, Jane, 850-860.

⁵ Dugger, Celia. Ending Famine, Simply by Ignoring the Experts. 2 December 2007. 23 March 2010 <http://www.nytimes.com/2007/12/02/world/africa/02malawi.html?_r=2>.

⁶ CIA. "The World Fact Book." 3 August 2010. Central Intelligence Agency. 9 August 2010.

continued lack of growth, I claim, can be solved by reviving an old agricultural form of organization: the cooperative. A look at some of the world's cooperatives reveals that they have occurred in part when market mechanisms and their necessary conditions had not been created. Whether the Kibbutz in Israel, the Mennonites in Canada and Mexico, or the fishermen of Ensenada, Mexico, they have all been successful in places where market conditions have not yet been born. This phenomenon, I claim, can provide an answer and a foundational form of economic organization in Malawi, an economy which has not been able to overcome its socioeconomic difficulties with any of the most popular forms yet of economic development.

The Malawian Predicament: History and Causes

Malawi gained its independence from the United Kingdom in 1964. Its economy was and still is predominantly agricultural, agriculture accounting for a third of its GDP and 90% of its exports.⁷ After independence, the new government decided to pursue an outward-looking economic policy with considerable state intervention. During the 1960s and 1970s the economy was dominated by the colonial legacy of agricultural estates, which grew at an annual rate of 17% at the cost of the small landowners who were prohibited from growing export-crops (primarily tobacco) and who were marginalized to produce crops (primarily corn) for Malawi's self-consumption.⁸

The government intervened in the economy in the form of the state-corporation ADMARC, whose main role was to stabilize internal markets by buying at a fixed rate from small farmers and then re-selling the products in auctions. Further, with the profits made in the resale of crops, ADMARC was required by the government to subsidize producers and consumers.⁹ A clear bias, however, could be observed in the division of the agricultural economy in the sense that smallholders were pushed to the level of only providing enough food for internal consumption and estates were allowed to farm highly valuable export crops. This bias against small farmers during the 1960s and 1970s

could be easily observed in ADMARC's operations, since its profits and the reinvestment of them benefited estates the most.¹⁰

Even though the economic arrangements of the 1960s and 1970s were dominated by the colonial legacy of agricultural estates, the Malawian economy managed to grow at a healthy 5.5% annual rate until the late 1970s. It provided a functioning export agricultural economy, managed and stabilized by strong state intervention, whose bias nevertheless provided the poor and smallholders with a stable fixed price and a clear market for their harvest.¹¹ Further, the 1970s economic order provided small landholders with subsidized fertilizer, grain reserves, and other government help through the National Rural Development Program to stimulate their production.¹² However, poor farmers with very limited land to harvest had to look for wage-labor jobs at large estates in order to provide enough for their families.

The strong economic performance of the 1960s and 1970s came to an end by 1979 when a second oil shock was followed by a decline in tobacco prices, Malawi's main export crop. Simultaneously, a civil war in Mozambique created an exodus of refugees to Malawi that increased Malawi's export costs (since it is a landlocked country) by 50 million.¹³ The crisis sent most large estates into bankruptcy and threatened the sustainability of Malawi's agriculturally-based economic system. Because of this, the Malawian government was forced to ask the World Bank for help in dealing with the crisis. The results were a series of neoliberal structural adjustment loans destined to reform the economic system and end the crisis. The loans came with strong conditions "to improve the balance of payments, cut the budget deficit, and give market mechanisms greater influence in determining prices, wages, resource allocation, and structure of production."¹⁴

⁷ Harrigan, Jane, 848-849.

⁸ Harrigan, Jane, 848.

⁹ Lele, Uma, 1208.

¹⁰ Shan, David, E. "The Stagnation of Smallholder Agriculture in Malawi: A Decade of Agricultural Adjustment." *Food policy*, 1991: Vol. 16, No. 3, 223.

¹¹ Harrigan, Jane, 848.

¹² Lele, Uma, 1211

¹³ Lele, Uma, 1209.

¹⁴ Lele, Uma, 1211.

A positive impact of the structural loans was the reduction of the budget deficit; however, this was done by the traditional neoliberal mechanism of cutting public expenditure. Furthermore, the structural loans had the goal of dismantling of the strong bias against small-scale farmers by allowing them to grow export-crops such as tobacco. In order to stimulate their production, the reforms also allowed for ADMARC's increase in producer prices and decrease in consumer prices for crops sold domestically.¹⁵ However, these positive impacts came at great costs for the Malawian economy, in the sense that per capita income declined from 1985 to 1987, and production did not recover even with the attempted stimulus. Furthermore, the stimulus of production actually backfired; the rise of producer prices to stimulate production resulted in inflation at a 15% average throughout the 1980s, resulting in an increase in consumer prices as well.¹⁶ With a decline in income per capita, no increment in total production, and a rise in prices, Malawi was faced with a serious food crisis throughout 1986-87.¹⁷ The horrible effects of the food crisis caused a decline in Malawi's balance of payments to its international creditors since the government had less income due to the crisis, and overall made matters worse for the nation.¹⁸

The source of these problems has been identified as a combination of factors including the switch to full export orientation, which requires the import of basic crops for subsistence, and presents difficulties during declines in international markets.¹⁹ Other failures of the structural adjustment loans were: the negative impact of non-price factors such as smallholders' dislike for hybrid (disease resistant and fast growing) corn crops, the inability of market mechanisms to penetrate smallholders' areas, the high prices of unsubsidized fertilizers, and the lack of good lending credit due to the bank's distrust of poor smallholders.²⁰ For example, the lack of government infrastructure such as roads and airports made it more expensive, and perhaps even

unprofitable, for private businesses to operate, especially those dedicated to exports since transportation is vital to them. The cost of transportation in Malawi throughout the 1980s averaged \$0.65 to \$0.75, which was much higher than Zimbabwe and South Africa (averaging \$0.2 on trunk roads and \$0.35 on rural roads).²¹ If the cost of transportation is too high, especially for Malawi since it is a landlocked nation, then it is more difficult for a neoliberal private system to operate in the way dictated by structural adjustment reforms.

Since independence and throughout the 1970s, Malawi had only two main commercial banks, The National Bank of Malawi and the Commercial bank of Malawi.²² Malawi did possess a whole range of other smaller banks such as the Post Office Savings Bank, but these had little effect on lending for commercial purposes.²³ Lack of a solvent financial system becomes problematic especially when a country such as Malawi engages in neo-liberalization practices. Lack of access to credit limits, or not prevents, the expansion and creation of private enterprises, which is of course the center of economic neoliberal thinking. Malawi was forced to nationalize what were the Barclays D.C.O and Standard banks after independence, transforming them into the national banks so as to generate savings to lend in commercial fashion. Nonetheless, at their peak in 1986, their total lending did not exceed 374,878 dollars:²⁴

“Smallholder farmers were characterized as consisting of three groups. The 20 to 25 percent . . . hired labor and had significant off farm income. Their land holding was above average and were credit recipients. The bottom 25 to 30 percent was usually female-headed households. These were ‘severely constrained by lack of labor’ and ‘unable or unwilling to accept institutional credit.’”²⁵

¹⁵ Lele, Uma, 1211-1212.

¹⁶ Sindima, Harvey J. *Malawi's First Republic: An Economic and Political Analysis*. Boston: University Press of America, 2002, 116.

¹⁷ Harrigan, Jane, 849-850.

¹⁸ Sindima, Harvey J., 116

¹⁹ Lele, Uma, 1212-1213

²⁰ Lele, Uma, 1212.

²¹ Ndlulu, Benno, and et al. *The Political Economy of Economic Growth in Africa 1960-2000*. Cambridge: Cambridge University Press, 2008, 159.

²² Sindima, Harvey J., 104.

²³ Sindima, Harvey J., 104.

²⁴ Sindima, Harvey J., 104.

²⁵ Spring, Anita. *Agricultural Development and Gender Issues in Malawi*. Lanham: University Press of America, 1995, 60.

In this sense the banking system in Malawi was not robust enough to incentivize the generation of rapid economic activity, especially with regard to poor farmers who represent a high default risk for banks. As such, the credit system, the engine of private entrepreneurship, stalled the success of neoliberalization since the country was never ready for it.

The case of fertilizer subsidies during the neoliberal restructuring is also crucial. Fertilizer in Malawi plays a very important role as the country's economy was and still is overwhelmingly agricultural. By 1996, Malawi was the fourth highest country in terms of fertilizer use.²⁶ However, during the 1980s Malawi, as well as Tanzania and Cameroon, were in the process of phasing out most of their fertilizer subsidies.²⁷ The idea of phasing out subsidies was part of the neoliberal paradigm required by the structural adjustment loans. The goal was to open the door for private fertilizer companies to take over the market. However, with the transportation costs and lack of credit already noted above, the project did not go well for Malawi. The prices for two of the three most prominent types of fertilizer for maize rose 63% and 27%, respectively, from the 1980s through 1995.²⁸ In addition, there was a ten percent drop in the demand for fertilizer throughout the same period, reflecting the inability of small farmers to purchase the product.

The government then took the initiative of reinstalling the fertilizers, even when this was against neoliberal policies, because bad raining seasons and transportation problems with its neighbor Mozambique could put the economy on the brink of another agricultural crisis.²⁹ What this highlights, is that the market approach was not successful in allocating fertilizer at an affordable cost for smallholders. That is to say, bad raining reasons and a rise in transportation costs could make the fragile fertilizer private market collapse and produce another food crisis. The government had to intervene to secure smallholder access to fertilizer.

One additional aspect to note in regards to the failure of the neoliberal policies is the lack of investment in education during the reform years and prior to them. After independence, the government decided to channel most of its funding to infrastructure projects but neglected healthcare and education.³⁰ Basic education received low funding and many schools were organized on the basis of "self-help," with little funding from the government or international organizations, and lacking basic equipment and teachers.³¹ In addition, the situation worsened due to the budget cuts generated by the economic crisis of 1979 and the austerity measures imposed by the reforms. "A 1986 World Bank Report on education in Africa states that Malawi government funding of primary schools declined from US\$26 in 1970 to US\$14 in 1980 and that the teacher-student ratio went from 1:50 to 1:64 in ten years."³² Budget cuts also impacted the university level. "Up to 1984, students in the institutions of higher learning received full scholarship and allowance. That changed and students had to come up with a K200 fee per year."³³ What this highlights, is that by the time of economic liberalization, the education system had only become worse, and the ability of an educated population to open private businesses, manage them, and invest in key areas, was very limited.

The failures of the neoliberal economic policies in ending Malawi's agricultural problems resulted in a new set of reforms called "post-neoliberal" or "post-Washington consensus." These reforms maintained the idea of agricultural liberalization but acknowledged the importance of fertilizer subsidies, input subsidies, rural investment, and credit extension to the poor.³⁴ The reforms implemented in 1994 onward provided alleviation to the agricultural sector, and this reflected in the economy. The smallholder sector grew 43.6% in 1995, and the economy grew at an accelerated rate of 14% in 1995, and 10% in 1996. Although this was caused in part due to good raining seasons, good growth nevertheless pushed by the

²⁶ Kherallah, Mylene, et al. *Reforming Agricultural Markets in Africa*. London: The Johns Hopkins University Press, 2002, 30.

²⁷ Kherallah, Mylene, et al., 44.

²⁸ Kherallah, Mylene, et al., 53.

²⁹ Kherallah, Mylene, et al., 46.

³⁰ Sindima, Harvey J., 123.

³¹ Sindima, Harvey J., 123.

³² Sindima, Harvey J., 125.

³³ Sindima, Harvey J., 125.

³⁴ Harrigan, Jane, 851.

smallholder sector continued until the end of the decade.³⁵

By the end of the 1990's, however, the World Bank and international donors began pressuring Malawi to cut its agricultural subsidies, to sell its grain reserves, and privatize ADMARC. Eventually Malawi followed most of these recommendations with the exception of privatizing ADMARC. It sold its grain reserves and dismantled the fertilizer program, but these actions eventually backfired, and produced a long food crisis mainly caused by the inability of farmers to buy seeds and fertilizers, which triggering a decline in corn production and subsequently a decline in farmer's income.³⁶ The current president, Bingu wa Mutharika, has responded by rejecting previous advice from the international community and restoring the fertilizer subsidy in order to stimulate crop production. The results have been successes. By 2007, Malawi was exporting more corn to the United Nation Food Program than any other nation in Africa, in addition to sending hundreds of tons of corn to Zimbabwe, and child hunger has "sharply fallen" (Dugger 2007). The New York Times stated that, "corn production leapt to 2.7 million metric tons in 2006 and 3.4 million in 2007 from 1.2 million in 2005."³⁷

Even with the agricultural improvements in the last half-decade, Malawi still has an alarming low per capita income and a low GDP. The light of hope at the end of the tunnel arises from its healthy GDP growth in the last few of years: 7.9% in 2007, 9.7% in 2008, and 5.9% in 2009. Given the historical economic policies of Malawi, its crises, and its current success, a new economic arrangement must be drawn, one that tackles the old and alarming social problems the nation still faces.

Cooperativism: A World Phenomenon

The controversial topic of state intervention in agriculture is actually uncontroversial in the development of most rich nations today. Germany, France, Norway, Japan, Sweden, and even the U.S. created publically owned banks to stimulate lending to small and poor farmers, due to the absence and

unwillingness of private lenders to lend to them.³⁸ Irrigation infrastructure, along with subsidies in machinery and farmer equipment, has been part of the rich nations' developmental path. France, Sweden, Japan, and the U.S., all created public initiatives to generate irrigation systems. In the U.S.:

"The increasing scale of irrigation projects prompted the federal government not only to subsidise irrigation projects but to take them up itself, following the 1902 Reclamation Act (Fuhrihan 1949, 966; also see Gras 1925, 392, and Selby 1949, 964). Canada reformed the irrigation system in 1894, consciously imitating the American model (with a bit of Australian elements thrown in), especially the centralisation and the nationalisation of water resources."³⁹

Malawi's critical question of fertilizer subsidies is a topic that was also present in the development of today's rich nations. The World Bank has only recently recognized the importance of this phenomenon for the Malawian economy. However, government intervention on this subject is not new:

"In many of today's rich countries in the past, governments subsidized fertilizers and/or promoted their uses through extension services. In the long run, fertilizers are likely to be even more successful if they are combined with the supply of fertilizer responsive crop varieties, as seen in the cases of Japan, Korea, and India."⁴⁰

The U.S. did something slightly different by "impos[ing] quality standards on fertilizers in the late nineteenth century."⁴¹ Two of the most controversial policies by neoliberals were also part of the development of rich nations today: trade control and price controls. Trade restrictions in agriculture help maintain stability in the market, particularly for vulnerable small farmers. "It is for this reason that many European countries re-

³⁵ Harrigan, Jane, 852.

³⁶ BBC. Malawi Famine Blamed on Aids. 26 November 2002. 23 March 2010 <<http://news.bbc.co.uk/2/hi/health/2512315.stm>>.

³⁷ Dugger, Celia

³⁸ Chang, Ha-joon. "Rethinking Public Policy in Agriculture: lessons from history, distant and recent." *Journal of Peasant Studies*, 2009: Vol. 33, No.3, 36.

³⁹ Chang, Ha-joon, 498.

⁴⁰ Chang, Ha-joon, 501.

⁴¹ Chang, Ha-joon, 501.

introduced agricultural tariffs and quotas in the late nineteenth century, when New World (and to a lesser extent Russian and Ukrainian) imports dramatically increased thanks to the development of steamships, refrigeration, and railway."⁴² The Dutch government, the U.S., Japan, and Chile, among others, have all participated in price controls, all of which has been proven to be successful in maintaining stability in farmer's income.⁴³

The most relevant aspect of public intervention by developed nations for this paper is the utilization of cooperatives. Cooperatives provided a way for poor farmers to unite and use their collective capital to buy machinery, more easily obtain credit, distribute services, democratize economic policies, and support each other during bad economic times:

"In today's rich countries, with the exception of Japan, the agricultural co-operative movement emerged spontaneously in the late nineteenth century. There were many different types of co-ops, providing activities like joint marketing, joint production, joint input purchase, irrigation/drainage, product quality control, timeshare for machine, and credit. Denmark was a pioneer in marketing and production co-ops, while Germany led the way in the development of credit co-ops. Co-operative banks first emerged in Germany in 1864 in response to the tendency of the Hypothekenbanken to lend only to large farms (Tracy 1989, 103). The idea quickly spread to other countries, upon which their governments started supporting them."⁴⁴

In order to make a case for the use of cooperatives in Malawi's agricultural sector, I would like to discuss three specific cases of cooperatives around the world: the Kibbutz in Israel, the Mennonites in Canada and Mexico, and the fishing cooperatives of Ensenada, Mexico. I will also address the difference between the system proposed for Malawi and the failures of collectivization in the Soviet Union and China.

⁴² Chang, Ha-joon, 504.

⁴³ Chang, Ha-joon, 504.

⁴⁴ Chang, Ha-joon, 496.

The Kibbutz System

The first Kibbutz was founded in 1910, long before the creation of the State of Israel.⁴⁵ The Kibbutz communities are technically much more than a form of cooperativism. They began as forms of Anarcho-syndicalist or Anarcho-socialist communities in which private property was non-existent and where direct democracy was in control of even economic matters. Nonetheless, Kibuzzism represents a very similar form of economic organization as farm cooperatives. Their fundamental principles are based on communal ways of creating economic prosperity, rather than atomized individuals competing on their own. The Kibbutz communities were set up in Israel by European Jewish immigrants who were adherent to socialist principles and who wanted to make Zionism the socialism of the Middle East.⁴⁶

The advantages of the Kibbutz mode of production for the Israeli settlers were based on the ability to struggle together in the midst of growing tensions between Arab governments and Israeli colonizers. The basic elements necessary for market mechanisms to take place were inexistent at that time. First, security was not guaranteed at all due to the growing discontent regarding Arab neighbors and especially because the State of Israel, the institution that was supposed to guarantee security for capitalism to flourish, was not yet born. Second, a reliable justice system was also absent due to the lack of a recognized nation-state. Third, laws that protect and guarantee private property and open a space for the possibility to take risks in investment and lending were also absent. Fourth, the lack of a concrete and materialized nation-state prevented the large-scale building of basic infrastructure such as roads, ports, and electricity generation, all crucial for a market to begin operations. Fifth, the harsh climate conditions made it extremely risky for any individual farmer to take on the task of erecting a productive and profitable farm.⁴⁷

⁴⁵ Bowes, Alison, M. "The Experiment That Did Not Fail." *International Journal of Middle East Studies*, 1990: Vol.,22, No.1, 85-103.

⁴⁶ Bowes, Alison, M., 88.

⁴⁷ Barking, David, and John, W. Bennett. "Kibbutz and Colony: Collective Economies and the Outside World." *Comperative Studies in Society and History*, 1972: Vol. 14, No. 4, 456-483.

It was under these unfavorable conditions for capitalism that the Kibbutz began to flourish:

“Kibbutz origins are traced to practical experiments in agriculture in desert Palestine in the early years of the twentieth century, when the Zionist movement commenced its program of colonization. The high costs and needs for labor in creating irrigation and other techniques required to farm in this forbidding environment encouraged collective, risk-spreading solutions.⁴⁸

The Kibbutz communal mode of production was able to flourish where market mechanisms could not. The astronomical investment risk of a single farmer attempting to turn land in the middle of the desert into a prosperous business was tackled by a collective take on investment risks. The problem of the lack of a coherent justice system was solved by setting up a direct democracy in which members of the Kibbutz had a say in all aspects of their society, whether political or economic. The issue of private property laws was irrelevant since all property was held communally, and not by the state, since the state was the people itself. The issues with regard to infrastructure and investment in machinery were tackled by collective capital investment in those areas, moving the burden from one individual to the whole community. Finally, the problem of security in the midst of the absence of a concrete nation-state was solved with the rise of militias within the administrative structure of the Kibbutz:

“In the last years of the Mandate, the kibbutzim provided important bases and sources of recruitment for the Jewish underground, particularly the Palmach and the Haganah (Drabkin, 1962). Kibbutz defensive abilities were further proven in the War of Independence, when many communities successfully held out against the advancing Arab armies.⁴⁹

If a Kibbutz could thrive in conditions in which market mechanism could not, the question becomes

whether a Kibbutz was in fact an economically profitable enterprise and whether a collective organization such as this could provide enough for its inhabitants to live and develop further. The answer is yes. Kibbutzism provided with a very efficient way of farming the land and to incubate new technological breakthroughs.

“Kibbutz agriculture advanced rapidly in the late Mandate period and quickly became the most efficient organization in the country (Cohen, 1966, p. 8). Kibbutzim chose the crops that were best suited to the communal social organization they were evolving and that would enable them to raise their standards of living quickly. They could develop to suit themselves, virtually without competition, thereby laying firm foundations for their success after 1948.”⁵⁰

The collective nature of the Kibbutz provided an environment optimal for technological advancement. Contrary to the traditional view which holds that technology can only be successfully driven by competition, the early years of the Kibbutzism showed that, at least before market requirements existed (stable judiciary systems, private property laws, capital existence) cooperation, stability, and collective risk taking proved more successful than the ruthless competition, astronomical risks, and the atomization of the early development of markets.

Even today, the remaining Kibbutz citizens consider themselves “Israeli super-citizens.”⁵¹ Kibbutz communities guarantee twelve years of education, four more than the Israeli government does, and often pay for the university education of its members.⁵² With the help of subsidies and lower interest rates by the Israeli central government, the economy of the kibbutz has also been diversified, moving into industrial production and services in part to provide jobs for the elder population that cannot work in agriculture.⁵³ Healthcare and pensions are guaranteed by the community, and Kibbutz emigrants often find jobs easier than regular Israeli citizens because of their intense

⁴⁸ Barking, David and John, W. Bennett, 460

⁴⁹ Bowes, Alison, M., 89.

⁵⁰ Bowes, Alison, M., 90.

⁵¹ Barking, David and John, W. Bennett, 464.

⁵² Barking, David and John, W. Bennett, 466.

⁵³ Barking, David and John, W. Bennett, 469-470.

education and training.⁵⁴ Kibbutzian citizens also compare themselves not to the lower peasant population, or the middle urban workers, but rather to the “upper strata of the society.”⁵⁵ Although their levels of consumption are lower than what the upper strata consumes, the public benefits offered by the commune make up for the lower level of individual consumption.⁵⁶

The communal and cooperative mode of production developed by the Kibbutzian movement thus provides a glance into what form of organization can be successful when the material conditions such as war-risks and a barely created, unstable nation do not allow for market to flourish successfully, an organization that can be efficient enough as to produce a population that compares itself to the highest strata of a market society.

The Mennonites

The Mennonites are part of a denomination of Protestant Christianity called Anabaptists. Because of their belief in peace resistance to military service, they were persecuted in their home country, Germany, forcing them to immigrate to Russia beginning in 1788.⁵⁷ Soon after, in the 1870s, they were forced to emigrate once again, this time to Canada. At the time they moved to Manitoba, Canada, they were among the first to create agricultural settlements in the area.⁵⁸ This means that there was no infrastructure or private resources with regards to agriculture for them to access after establishing their villages. However, the Mennonite community was able to flourish because of their particular communal mode of production. The members of the community decided collectively to take up a parcel of land and work together to erect a village, thus dividing the risks of starting a dangerous enterprise.⁵⁹ They also organized and divided the lands among the members of the community in a way that would allow all farmers to gain access to water and timber. They would “utilize the individually deeded

land for the common good, so that everyone would benefit equally from the wooded land, the arable land, and the meadows.”⁶⁰

The Mennonites succeeded so much as professional agriculturalists in Canada that in 1922, fifty years after their arrival to Manitoba, Mexican President Alvaro Obregon offered the Mennonites freedom of religion, their autonomous education system, military protection, and plenty of land to colonize and prosper in the Mexican territory. The paradox of the Mexican actions, namely that the representative of the winning party of a ten-year-long revolution would ask a foreign community to settle the lands that Mexican peasants fought to obtain rights for, can only be answered one way. “The Mennonites brought an estimated four million dollars in capital into the country...By 1933 its environs were home to almost 14,000 Mexicans and 9,000 Mennonites. What had been a dusty rancho within a decade became a thriving center of agricultural and commercial activity, and acted as a magnet for surrounding areas.”⁶¹ This means that the Mennonites had accumulated great amounts of capital back in Canada, enough to take the risks of investing in a foreign nation, through their cooperativist and communal practices.

But an even more subtle idea is important to recognize to understand the relevance of cooperativism. The Mennonites were called to colonize Mexico as a group, as a cohesive organism that together developed the necessary technology, professional farming, and surplus-profit. Without an initial mode of production based on cooperativism, the Mennonites would not be viewed as a successful organic structure, since only those with large amounts of capital would be asked to migrate and not those farmers who for whatever reason were not as wealthy. “Thus the Mennonites, by settling in Chihuahua and putting into production the land which had lain fallow, fulfilled specific regional needs after the plunder of the Revolution, and exemplified the government’s program of reconstruction.”⁶²

⁵⁴ Barking, David and John, W. Bennett, 466-469.

⁵⁵ Barking, David and John, W. Bennett, 468.

⁵⁶ Barking, David and John, W. Bennett, 468-469.

⁵⁷ Warkentin, John. "Mennonite Agricultural Settlements in Southern Manitoba." *Geographical Review*, 1959: Vol. 49, No.3, 342-368.

⁵⁸ Barking, David and John, W. Bennett, 343.

⁵⁹ Warkentin, John, 343-344.

⁶⁰ Warkentin, John, 343.

⁶¹ Will, Martina, E. "Mennonite Colonization of Chihuahua." *The Americas*, 1997: Vol. 53, No. 3, 353-378.

⁶² Will, Martina, E., 372.

Another reason for Obregon to call the Mennonites to immigrate to Mexico was their advanced level of agricultural development. "The farming methods of the Mennonites, which included the use of tractors and power machinery, were superior to those of the Mexican *campesino*, who 20 years later still used oxen and draw a hand plow."⁶³ Of course, their particular historical experiences might not allow for drawing a comparison between them and the poor Mexican farmer. Nevertheless, the fact that no individual or small group of individuals was able to monopolize the technology and capital through buying farms, making profits, and hiring poor farmers with no land, points to the advantages of cooperativism in advancing the standards of living of the whole population.

The experience of the Mennonites demonstrates that cooperativism can be successful enough to produce capital, technology, and development in farming techniques in an egalitarian fashion, which develops the whole of the population as an organic unit.

Mexican Fishermen of Ensenada

Beginning in the 1960s, Mexican fishermen began to feel a sense of economic deprivation due to the fact that the fishing industry was becoming a large-scale and high-investment sector.⁶⁴ The small scale, capital scarce Mexican fishermen could not compete with large U.S. enterprises on market reach, fleet numbers, technology, people, or political and economic muscle. Facing this, they came up with one answer: cooperativism.⁶⁵ Their solution proved to be economically, politically, and socially successful.

By working together as one organic whole, the Mexican fishermen were able to gather the necessary capital and credit to purchase more advanced and numerous fishing boats.⁶⁶ Furthermore, they were able to expand their market reach, moving out of Ensenada into the U.S. and

Mexican markets.⁶⁷ Also, "[b]y separating the functions of management from production, thus providing permanent occupational categories to those in responsible positions, they have generated expertise in marketing, accounting and in organization and have been able to utilize this in their interaction with both government and private enterprise."⁶⁸ Out of the five fishing cooperatives, only one has not been economically successful but has still experienced moderate results.⁶⁹ In the social realm, working together has allowed the fishermen to provide benefits to cooperative members in the form of health benefits, life and disability insurance, and scholarships for the children of cooperative members.⁷⁰ Politically, fishermen before the 1970s could influence little in the dynamics of the Mexican political system; however,

"In October, 1976, the cooperative fishermen of Guaymas, Mexico, physically ousted the government-appointed director of the Federation of Fishing Cooperatives of Guaymas. This action set in motion a series of events which have culminated in the achievement of significant political power for Mexican fishing cooperatives. In the months to follow, the cooperative fishermen of Cabo San Lucas and Ensenada were also to replace their government-controlled directors with democratically elected representatives."⁷¹

The cooperatives of Ensenada bring to light an additional advantage of the cooperative form. It is not only functional in the absence of market-mechanisms or the necessary conditions for them to occur, but also when the free market system has become too monopolistic or too complex for small scale fishermen, that cooperativism can bring a mode of production that increases political power, economic development, and social alleviation. Although the fishermen of Ensenada are not farmers, their example points out the diversity of economic application that cooperatives can bring.

⁶³ Will, Martina, E., 373-374.

⁶⁴ Peterson, John, S. "Fishing Cooperatives and Political Power: A Mexican Example." *Anthropological Quarterly*, 1980: Vol. 53, No. 1, 64-74.

⁶⁵ Peterson, John, S., 66.

⁶⁶ Peterson, John, S., 69.

⁶⁷ Peterson, John, S., 66-69.

⁶⁸ Peterson, John, S., 68.

⁶⁹ Peterson, John, S., 65.

⁷⁰ Peterson, John, S., 70.

⁷¹ Peterson, John, S., 69.

The Malawian System of Farmer Production

Beneath the above analysis of cooperativism at work lay four relevant conclusions. First, cooperativism can be functional where market mechanisms cannot because of high risks or the inability of enough individual capital. It can thrive in dangerous zones, with no concrete nation-state, private property laws, or efficient judicial systems. Second, cooperatives work to prevent the monopolistic-like inequalities that free markets often take. This point is relevant especially for poor nations that base their economies in agriculture. Accumulation of economic power through the accumulation of land is the basis of inequalities in agrarian societies. The accumulation of land in the hands of a specific group is problematic because it forces others to work in those lands, since they do not have land or cannot compete with the landed class. This, in turn, makes it hard for the wealth of the nation to be distributed equally. This is why land reform is critical, and was for today's developed nations, in achieving a more egalitarian form of economic development.⁷² Third, cooperatives provide a framework for human development in the full sense of the term, as political, economic, and social development. And fourth, cooperatives can alleviate some of the pressure on poor farmers created by the rise of private power in full liberal market societies.

Malawi's low per capita income, GDP, and human development, in a virtually completely agrarian society, constitutes a perfect environment for the formation of cooperatives. These cooperatives can work better, I claim, when they are accompanied by a parallel structure from the government to enhance productivity, resource-allocation, and a political check on government power. The formation of the cooperative system, then, should be a hybrid system. From one side, the organic structures that produce and administer their internal affairs, similar to the administration and departments that control the internal affairs of a corporation, and from the other, an umbrella from the Malawian government that represents the interests of the economy as a whole in the sense of coordination between cooperatives, market demand of products, and export demands.

These institutions should be created to account for the absence of private institutions and markets in Malawi's economy. One of the roles of the cooperatives within the overall Malawian economy can be similar to that of ADMARC, as a secure source for farmers to turn in their harvest every season. The government side of structure should deal with the selling and marketing of the harvest every season. The profits generated by the selling of the crops should be divided between the government and the farmers. This way, farm cooperatives will receive payments from the sale of their crops and eventually from the profits generated by their resale by the government in the national markets. This will create a large and fast increase of income, which can generate demand for private economic activity and set the foundation for the emergence of free market mechanisms.

These cooperative institutions can be created in key areas where there is critical need for market generation. For example, ADMARC can be reinstated to be the secure buyer and price stabilizer of corn, and for internal food sustainability, with part of its profits given back to the farmers. Another institution can be created to generate diversity of crop farming, and another (possibly by buying the dying large estates) can be focused solely on export crops. Large estates can either be left intact or can be broken up into small export cooperatives. Special attention should be paid to the singularity of export cooperatives. Export-orientated cooperatives would bring most of the foreign currency, and as such, would be extremely important. In order to prevent the creation of a powerful economic class, export cooperatives should be given a set price for their harvest within a range relative to other domestic crops and should receive an extra share equivalent to the profit share received by other non-export farmers. The rest of the income should be taken by the state and used for imports or other needs.

The institutional framework of the cooperatives can also prove to be a strong foundation for the credit sector to begin rolling. The risks associated with lending to collective institutions are much lower than the risks associated with lending to isolated individuals. The lower risk of lending to established cooperative organizations, with a much lower possibility of default, makes banks lower interest rates, which in turn makes the financial

⁷² Chang, Ha-joon, 479-480.

system more attractive to their clients and raises the social usefulness of the financial system.

The relationship between the government and the cooperatives can be very specific. Cooperatives provide a better form of organization in maintaining grain reserves locally at each cooperative to guard against bad economic years and booms and busts of international markets for export-orientated cooperatives. Cooperatives should also be in charge of maintaining capital stock reserves to be used in years of strong droughts, natural disasters, or a decline in international market prices for export cooperatives. Price stabilization can also be incorporated into this economic framework. The Malawian government can guarantee a minimum price when buying the harvest of the cooperative, ensuring stable income for farmers. Fertilizer subsidies can also be distributed not to individuals but rather to cooperatives to be used collectively. Finally, the cooperative mode of organization can serve to increase demand for technology, since the collectivization of capital can be more powerful in buying new technology and machinery than the capital of individual farmers, the purchasing of efficient irrigation systems being one example.

The government on its end should make use of the profits generated by the sale of the cooperative's harvest as an easy and efficient form of taxation. It is a form of taxation because in a traditional free market society, a corporation would take the profits of the products it sells and then later on pay taxes to the government. In the Malawian system, the government would take part of the profits, the difference earned between the price it paid to the farmers and what the product is finally sold for, and this would be considered a form of taxation on the cooperative. This taxation can be used to fund reserves for subsidies in fertilizer, price-stabilization, and public insurance. Also, for the profits to be used optimally, they should be re-invested in roads, electricity, irrigation systems, and drought-resistant seeds, generating jobs and income for other sectors of the population. It is recommended that the government reserves part of the profits or accesses funds from other areas to set up public-run banks that provide cooperatives with low-interest loans, at least until the Malawian financial sector becomes more dynamic.

The Malawian government, by making the first investment and generating economic dynamism through these cooperative institutions, will generate private demand of services as they increase people's income by providing secure employment, stable incomes, and stable sources to sell their harvest. Furthermore, as the principle of economic agglomeration states, once the first institution is created and once it generates the necessary infrastructure, other private institutions will follow since it will have become more profitable. For example, one of the reasons the liberalization stage failed is because fertilizer prices were too high for farmers due to transportation and other infrastructural-related issues. Investment in infrastructure will lower those costs and allow private companies to sell at a price accessible to farmers. Moreover, once economic dynamism begins to take place, citizens can decide whether they wish to continue with the hybrid cooperatives or whether they wish to privatize them, becoming shareholders. For example, in the case of the Mennonites in southern Manitoba, some members decided to switch from communal farming to individual farming after a period of time because infrastructure and the individual risk-taking in running a successful agricultural enterprise was now low enough after the cooperative had created a more vibrant community.

The cooperative framework not only works well in organizing the agrarian economy of a country like Malawi, it can also serve as a framework in which other activities with social goals can take place. The United Nations Millennium Village Program is a system developed to bring the social and economic objectives of the Millennium Development Goals (MDG) into existence.⁷³ The village program tries to promote agricultural education and services, health education and services, and general education for children from village to village.⁷⁴ The cooperative framework can function as Malawi's means for the Millennium Village Program to expand since it could utilize and work through the already existent structure of the cooperatives. Agricultural education and green revolution practices can spread

⁷³ Sachas, Jeffrey, D. *Common Wealth: Economics for a Crowded Planet*. New York: Penguin Group, 2008, 238-241.

⁷⁴ Sachas, Jeffrey, 238-241.

easier through the institutions and communal organization of the cooperatives. Also, just as in the case of the Mexican fishermen of Ensenada, the cooperative mode of organization can work collectively to provide services such as health, pension, insurance, and scholarship benefits that the poor Malawian central government cannot provide. In other words, the cooperative system can be the structure for a whole array of services and activities orientated toward social goals.

Politically, the cooperatives have a lot to offer. First of all, like the Israeli Kibbutz system, direct democracy must be the foundation of their political essence. Decisions with regards to farming, allocation of internal resources such as fertilizer, management of reserve funds and seeds, election of administrative positions, capital management, and internal policies with regards to benefits should all be decided through direct participation. This has several advantages in a country like Malawi. First of all, it ensures real democracy is operating in the political and economic spheres most crucial for farmers, that is, in topics that directly affect agricultural practices. Second, it forces Malawian citizens to build a sense of political consciousness, civic participation, and politicization of every aspect of social life. It reverses the common trend of poor societies being atomized and de-politicized. Third, by introducing direct participation through an institution in which the central government is also involved, the Malawian government is forced to work hand in hand with and engage its own citizens. It will make the government accountable and make the population much stronger since it will be organized in social groups and will not be perceived as a passive mob any longer. Just like the fishermen of Ensenada, who before becoming organic wholes had little say in local politics, but eventually grew powerful enough to remove politicians from their posts, the Malawian cooperatives can become vehicles for democratization and checks on political and private power.

Because the cooperatives work in a hybrid system with parallel administration from the central government, some political roles fall beyond the government's authority. The central government should limit itself to policies that go beyond the cooperatives themselves. It should administer a national justice system that resolves conflicts

between cooperatives and where individual members can appeal. It should also administer the national police and army that keep security outside and inside the cooperatives if this is approved by cooperative members. The government should also maintain a legislative and executive power that channels power in a similar form as a federal system does, by keeping some power in the federal hands but delegating some to the states, which in this case would be the cooperatives. Just as important, the central government should maintain a constant dialogue with cooperative administrators with regards to what is being produced, in what quantities, how it is being produced, as well as any other administrative necessities.

After discussing the economic, social, and political roles and benefits of a cooperative system in Malawi, there remains the question how to both fund and jump-start the project. This is precisely where the international community can play a very crucial role. Donors should focus their aid in funding the project and the international community should agree to provide the necessary loans, with no agenda of their own, when aid is not sufficient. Furthermore, the international community should provide the necessary technical assistance to create such institutions and to train community members in understanding the new system; it requires a big push on aid. The New York Times reported that \$74 million of fertilizer subsidies can create up to \$140 million in economic activity. It also states that the U.S. gave \$174 million in emergency food to Malawi because of the food crisis at the beginning of the decade.⁷⁵ If such aid is concentrated in creating the hybrid cooperatives, the wealth generated could be dramatic and perpetual.

To guard against possible mismanagement, the government of Malawi should accept that an organ of the international community be allowed to scrutinize and audit how the money is being spent as well as monitor progress on economic and political goals. This will not undermine the sovereignty of the country since the country will still be completely free to use the money according to its own judgment. It will however, discourage the government from corruption practices by mean

⁷⁵ Dugger, Celia.

of the risk of cutting aid (when the government is perceived as corrupt) and by issuing citizens transparency reports of their own government activities, thus applying anti-corruption pressure from the Malawian civil society as well.

Finally, how is this different from the catastrophic failure of the collectivization efforts in the Soviet Union and China? The answer lies in the fact that this agricultural system combines the best of both collectivism and small-scale farming. One of the central criticisms of the Soviet and Chinese collective initiatives has been the lack of incentives given to individual farmers to harvest the required quota. Under the Malawian cooperative system, individual cooperative farmers would be paid a set price for the harvest they produce; the more they grow the more they would be paid. This way, farmers are incentivized to boost productivity. On the other hand, farmers could be prohibited from buying up land and hiring poor landless peasants so as to avoid the accumulation of land on a few hands. Also, there can be limits to the amount of harvest any individual farmer can turn in, thus disincentivizing them from flooding the market with too much harvest and creating a domestic economic crisis. In this form, then, the agricultural system combines the incentives of individual farming with a collective structure to prevent the growth of inequalities and provide the benefits described above.

Politically, the cooperative system can also avoid the mistakes of both Soviet-style collectivism and neo-liberalism. In reference to the former, the two-tiered Malawian system automatically gives cooperatives a share of power and authority over a whole range of decisions and automatically integrates every member of the cooperative in the decision-making process. In this way, politics as well as economics are democratized. The agricultural system ensures the state does not monopolize power by giving it directly to every cooperative. The possibility of Soviet and Chinese-style coercion and violence can thus be completely eliminated. Further, the cooperative system also prevents the growth of private power by giving every individual member equal access to resources and political decision-making in every cooperative. Thus, no land, resource, or political accumulation of power can take place either by private or state players.

The strongest criticism against cooperativism, although valid with reference to the Soviet Union and China, can clearly be avoided under the Malawian system. No new Comrade Stalin or Chairman Mao, and no new famines or coercion, but the democratization of the economy, egalitarianism, and economic development.

... First as Tragedy Then as Farce ...

Malawi's history of economic policies and the overall history of most western nations provide answers to the problems Malawi currently faces. Government intervention in agriculture can help foster economic activity to create the conditions for private markets to develop. Most importantly, public intervention in the form of the erection of a cooperative system of agricultural production can work as in the case of the Israeli Kibbutz, the Mennonites in Canada and Mexico, and the fishing cooperatives of Ensenada, Mexico, pushing human development in the economic, social, and political realms. With the help of the international community and international donors, cooperativism in Malawi can become not a written reality but a concrete and material one that breaks the traps of poverty that haunt Malawi.

Karl Marx once remarked that great historical facts not only tend to repeat themselves as Hegel remarked, but that they repeat first as tragedy and then as farce.⁷⁶ Cooperativism as a mode of production in Malawi in the midst of today's advanced capitalism is precisely that. The tragedy is none other than the virtual historical death of communalism, the proclamation of the complete death of communal thinking by the victors in the revolution of individualism and private property. The repetition as farce occurs when communalism must come back to save the possibility of free-market capitalism developing in Malawi, when communalism must come back from its grave to save the system that ridicules it so.

⁷⁶ Marx, Karl. "The Eighteenth Brumaire of Louis Bonaparte." 1999. Marx/Engels Internet Archive (marxists.org). 13 August 2010.

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