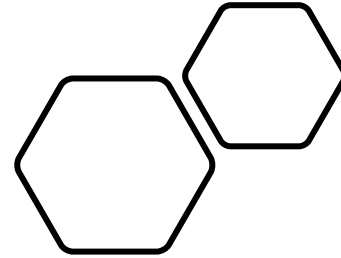


Economic Inequality and Rural Entrepreneurship: Polly Hill on Rural Capitalism in West Africa



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Entrepreneurship and economic inequality

- Economic inequality in developing economies is a pressing problem in the world and entrepreneurship scholars have been advised to address this challenge (Bruton, Ahlstrom, and Obloj 2008, Sarkar, Rufin and Houghton 2018, Sutter, Bruton and Chen, 2019).
- Although the study of the nexus between economic inequality, poverty alleviation and entrepreneurship in emerging economies is a recent phenomenon, it has been increasing steadily over time.
- In a recent study, an examination of 40 journals showed the largest number of articles (21) were from economics journals.

Entrepreneurship and economic inequality

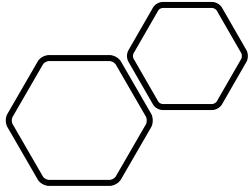
- Much recent discussion of relationship between entrepreneurship and economic inequality in developing countries leads to a reduction in economic inequality.
- Forty articles reviewed by Garry Bruton, Christopher Sutter, and Anna-Katharina Lenz (2021), “Economic inequality – Is entrepreneurship the cause or the solution? A review and research agenda for emerging economics,” *Journal of Business Venturing* 36:3
- See also articles reviewed by Sutter, Bruton, and J. Chen (2019), “Entrepreneurship as a solution to extreme poverty: A review and future research directions,” *Journal of Business Venturing* 34:1
- Luca Castellanza (2022), “Discipline, abjection, and poverty alleviation through entrepreneurship: A constitutive perspective,” *Journal of Business Venturing* 37:1

Entrepreneurship and economic inequality

- Contrast the opposite conclusions indicating entrepreneurship can increase economic inequality in emerging markets, reached by:
- K. Lewellyn (2018), “Income inequality, entrepreneurial activity, and national business systems: A configurational analysis”, *Business and Society* 57(6).
- D. Isenberg (2014), “Entrepreneurship always leads to inequality,” *Harvard Business Review*
- A. Kimhi (2010), “Entrepreneurship and income inequality in southern Ethiopia,” *Small Business Economics* 34:1
- Bruton, Sutter and Lenz (2021) call for researchers to “use new data and seek new methods to study inequality”

Polly Hill's largely overlooked body of data and innovative methods

- Trail-blazing work on rural entrepreneurship and inequality by a remarkable cross-disciplinary scholar, Polly Hill:
- *The Migrant Cocoa-Farmers of Southern Ghana: A Study in Rural Capitalism* (Cambridge Univ Press 1963)
- *Studies in Rural Capitalism in West Africa* (CUP 1970)
- *Population, Prosperity, and Poverty: Rural Kano, 1900 and 1970* (CUP 1977)
- *Development Economics on Trial: An Anthropological Case for the Prosecution* (CUP 1986)
- not cited in literature on rural entrepreneurship or that on entrepreneurship and inequality (perhaps because of phrase “rural capitalism,” not “rural entrepreneurship”) or on women as development economists or on women as anthropologists



Polly Hill

- Hill (1986, p. 135): “My [1963] book on the history of this migration was subtitled *A Study in Rural Capitalism*, by which I meant to convey that the ‘migratory process’ as such had many capitalistic features, not that each individual participant was ‘a capitalist’” -- inequality as well as enterprise innate in the process



Polly Hill (*Development Economics on Trial*, 1986)

- Chapter 2 “The Vain Search for Universal Generalizations: 1. The Relevance of Economic Inequality”
- “One of the few important socio-economic generalizations which may safely be made about rural tropical economics is that a significant amount of economic inequality always exists within any rural community in which cash circulates. This inequality may be so pronounced that the economic behaviour and motivations of the poorest farmers are entirely different from, even the mirror image, of the richest. Yet the economists’ need for generalizations relating to all farmers in the village necessarily ignores this essential fact ... the village community as a whole, not the household, is effectively the unity of investigation.”

A largely overlooked body of data and innovative methods

- Stephen Hymer, “Foreword: Capital and Capitalists,” in Hill (1970, pp. xvii-xxiii) – Canadian-born radical economist then Associate Professor at Yale – “The distinguishing feature of Polly Hill’s approach is that she focuses on producers rather than on production – on cocoa-farmers rather than on cocoa and, more generally, on capitalists rather than on capital.”

Across disciplinary boundaries & Keynes connection

- First degree was in economics at Cambridge
- 13 years at University College of the Gold Coast and its successor University of Ghana, initially in Economics, then in the Institute of African Studies
- Book on *Migrant Cocoa-Farmers of Southern Ghana* accepted (after publication) as Cambridge PhD dissertation in social anthropology, but with economist Joan Robinson as supervisor
- 5-year fixed-term appointment as Smuts Reader in Commonwealth Studies, Cambridge – but no tenure-stream appointment despite 10 books, more than 50 articles
- Polly Hill and Richard Keynes, eds., *Lydia and Maynard: The Letters between Lydia Lopokova and John Maynard Keynes* (London: Deutsch, 1989)
- Niece of J. M. Keynes, assisted him in editing *Economic Journal* during World War II
- In any other family, first mention would go to her father A. V. Hill, Nobel Prize in physiology before age 40, pioneer of operational research in World War I, MP for Cambridge Univ 1940-45 (“MP for science”) – Margaret Hill (née Keynes) on Royal Commission on Location of Industry

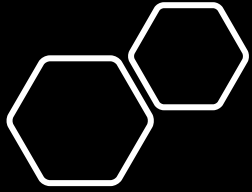
Collaboration

- This paper is a collaboration between an entrepreneurship professor from a family of migrant cocoa farmers in southern Ghana (whose mother and uncle knew Hill) and a Keynes scholar who met Hill at 1983 Keynes centenary conference at King's College, Cambridge
- Have previously collaborated on biographical entry on Hill in *Palgrave Companion to Cambridge Economics* and on article on Hill's cross-disciplinarity in symposium on economics and its boundaries in *Journal of the History of Economic Thought* (June 2021)



Agency of Rural Entrepreneurs

- Polly Hill upheld the agency of rural entrepreneurs in developing countries against the condescension of outside “experts”, neoclassical or Marxist, who viewed rural population as passive, as peasant farmers engaged in “traditional agriculture”



Ghana as case study

- “what actually happened in Ghana was so much at variance with conventional notions of what ‘ought’ to have happened, that few of the many general works on ‘problems of economic under-development’ which have been published in the past fifteen years have much practical, as distinct from theoretical, relevance to the current analytical purpose” (with footnote excepting Gunnar Myrdal)
- “It has been unconsciously, or implicitly, assumed that it was the expatriate traders who ‘taught the natives’, if only by example, the elements of the facts of economic life ... and this in a part of the world where trade was already well developed when Europeans first arrived in the fifteenth century!” Hill (1963, pp. 178-79)

Rich and poor cocoa farmers

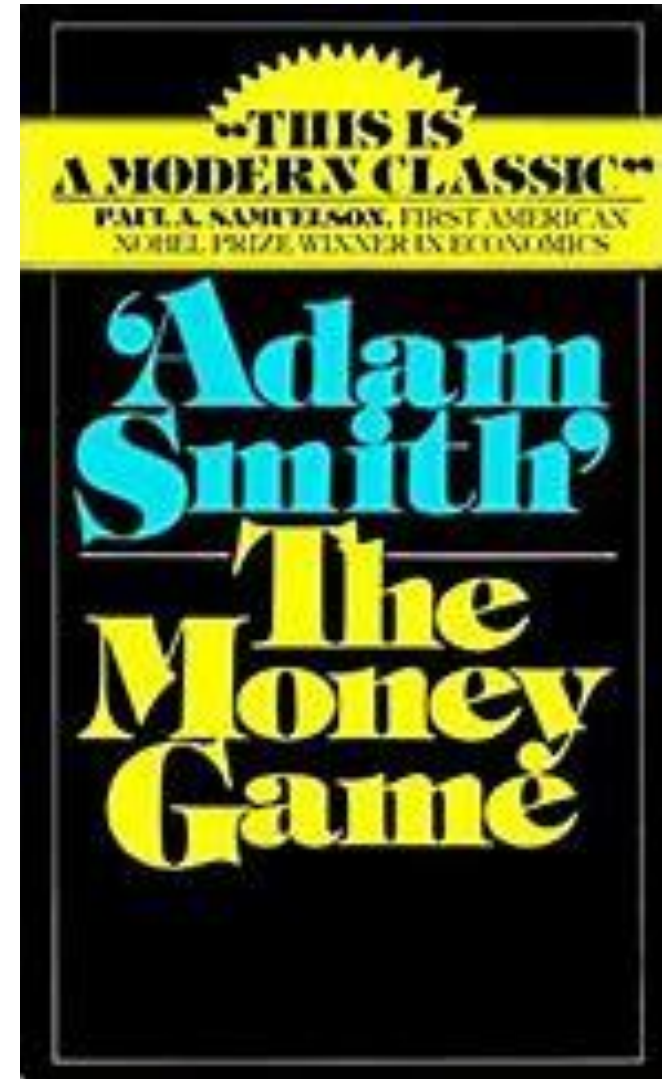


- Hill (1986, p. 94): “The most notable credit financed enterprise of all, in my experience, was the migration of Gold Coast cocoa farmers which, starting from virtually nothing in the late 1890s, led to the creation of the world’s largest cocoa exporting industry within some fifteen years.”
- “Land was bought on credit from chiefs, who received a small down payment, the balance being paid in instalments usually over many decades, though seldom or never in full, from the proceeds of selling the cocoa; then, richer cocoa farmers resold land to poorer men on easy terms; and one way or another, with the help of credit, no man from Akwapim, the main homeland, was ever prevented by poverty from acquiring land.”

Peasants or Entrepreneurs

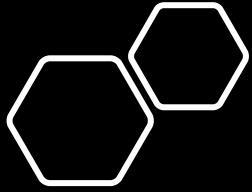
- “Most amazing of all, these ‘peasants’ raised their own capital of many thousands of pounds, by subscription from individual richer farmers, to finance the construction by European contractors of bridges and roads facilitating access to their distant cocoa farms. Officialdom failed to notice what was going on at the time (thus, the three contractor-built bridges were never featured on any published map) and I have yet to come across any discussion on ‘peasants’ which mentioned these ‘public works’, this *indigenous economic development*” (Hill’s italics)
- Colonial officials were puzzled by how a surge in imports was being paid for

- Economists of a certain age will recall the chapter about Ghana and speculation on cocoa futures in *The Money Game* (1968) by “Adam Smith” (George G. W. Goodman) – chapter reprinted in Paul Samuelson, *Readings in Economics* (back when intro students were expected to read more than just their textbook)
- “Adam Smith” then lost his royalties from *The Money Game* by investing in a small Swiss bank that, unknown to him, tried to corner the cocoa market by buying futures for more than half the world’s cocoa
- The bank’s head, Paul Erdman, became a writer of financial thrillers after he got out of Swiss prison (*The Billion Dollar Sure Thing*, *The Silver Bears*)



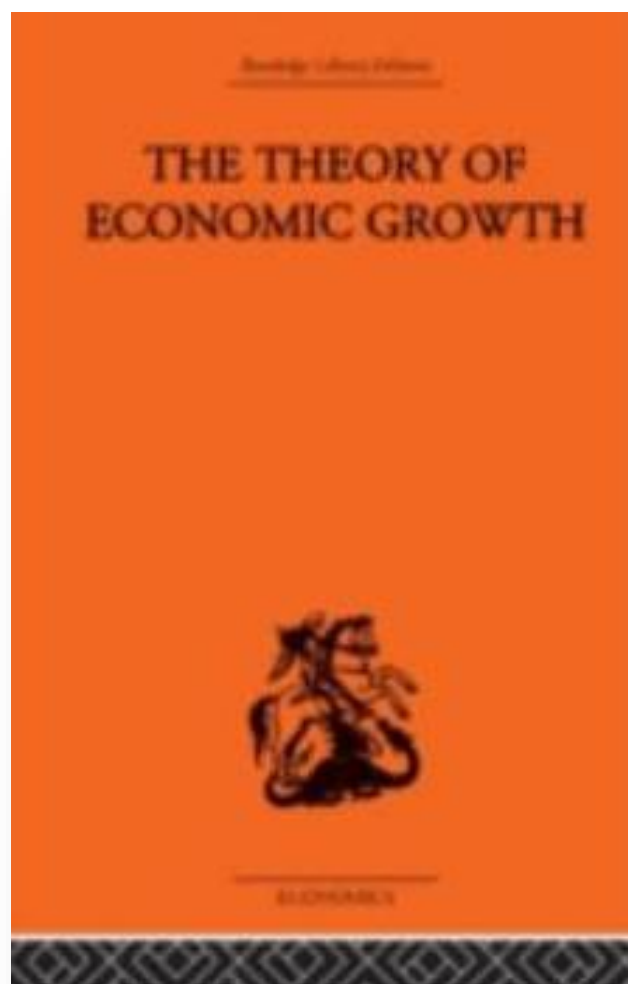
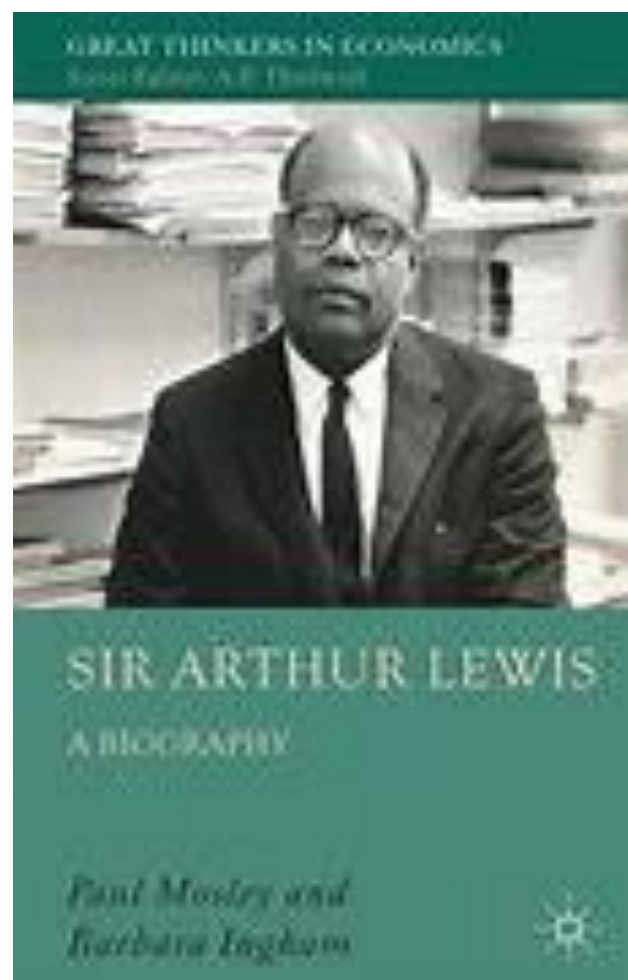
Critical of neoclassical development economics

- Hill (1963, p. 9) critical of W. Arthur Lewis's "much-read" *Report on Industrialisation and the Gold Coast* (1953) – Lewis model (1954, 1955) of development by transferring labor from traditional agricultural sector (where marginal productivity of labor below subsistence) to industry – “an over-simplified image of agricultural organization based on the presumption that a simple technology necessarily implies simple socio-economic organization, ‘inefficiency’ (in some absolute, though undefined, sense), and small-scale production – though none of these notions is necessarily true or meaningful”
- On Lewis and Ghana, see Lewis, *Politics in West Africa* (Whidden Lectures at McMaster University)



Critical of neoclassical development economics

- Hill (1986, pp. 51-52), in criticizing Lewis (1954, *Theory of Economic Growth*, 1955), brings together the entrepreneurial nature of rural capitalism (citing “West African migrant cocoa farmers, who were not unique but merely enterprising to an exceptional degree”) with the economic inequality embedded in such rural capitalism:
- “Lewis is obliged to resort to such generalizations as that ‘Economic growth entails the slow penetration and eventual absorption of the subsistence sector by the capitalistic sector.’ Such an ambiguous statement seems to imply that capitalism is apt to creep into the countryside from the cities (for what otherwise can the capitalistic sector be?), almost as a kind of virus.”



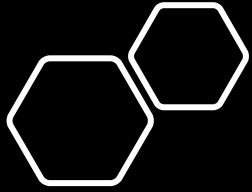
Underestimating innovative capacity of rural communities

- “This is a belief which takes no account of the fact that in many tropical regions, *until quite recently* [Hill’s italics], the countryside **was** the matrix which most economic enterprise flourished, most traders having been countrymen, and large cities having been rare and anomalous places; and it altogether underestimates the capacity of rural communities to innovate, both organizationally and technically, on their own initiative. In localities such as northern Nigeria where, in the nineteenth century, most farm-slaves had been bought for cash by ordinary farmers, the institution of farm-slavery was indigenous rural capitalism *par excellence*, especially as much of the grain produced by the slaves was sold in the wider market.”

Innate rural inequality and inefficient agricultural sector

- Hill (1986, p. 52): “we know from our own experience that the simplistic exposition of the three-stage ‘transition from subsistence to specialized farming’ in Todaro’s extremely influential textbook is dangerously **misleading**, and not only because it almost entirely overlooks the implications of innate rural inequality. We know ... it was quite **untrue** that the agricultural sector was so inefficient that it could ‘barely sustain the farm population, let alone the burgeoning urban population, even at a minimum level of subsistence’ ([Todaro 1977] p. 231). Indeed, the amazing capacity of this sector to keep pace with the rising demand for farm produce from non-agriculturalists ought to have excited favorable comment – as it never did.”

- But Hill was equally uncomfortable with “withdrawal into the closed world of Marxism with its anti-empirical bias” and the emphasis on top-down socialist planning that came to dominate the Economics Department at the University of Ghana, under directorship of Jan Drewnowski, during the later years of Nkrumah’s rule – hence her move from Economics to African Studies
- see Reginald Green and Ann Seidman, *Unity or Poverty? The Economics of Pan-Africanism* (Penguin, 1968), by two American economists who joined Drewnowski’s research unit on “The Economics of African Unity” in 1963 (but Green reviewed Hill 1963 favorably)



Entrepreneurship and inequality in cocoa farming

- Hill emphasized both the entrepreneurship of the migrant cocoa farmers, taking the initiative in seeking profit opportunities by buying or leasing forest lands to grow cocoa for export and in creating the necessary infrastructure, and the role of inequality in capitalist employment relations in cocoa farming – both aspects reject as ignorance and condescension preconceived views of the cocoa farmers as peasant farmers engaged in traditional agriculture:
- “Only richer farmers with capital to ‘squander’ on wages, when it ‘ought’ to have been invested in physical assets such as land or houses, were prepared to employ such labourers [annual laborers employed for a fixed period] for extending their farms” (Hill 1986, p. 119)

Cocoa farmers as entrepreneurs

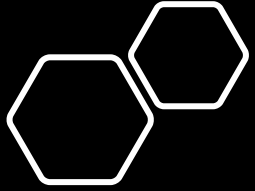
- “It is one of the main contentions of this book [Hill 1963] that the Ghanaian migrant cocoa-farmer has shown himself to be remarkably responsive to economic incentives, remarkably dedicated (within the framework of cocoa-farming) to the pursuit of economic ends. The whole operation was based on *saving* or *accumulation*, by all the various parties involved, and on the long view.”
- The migratory nature of cocoa farming in southern Ghana was little understood until Hill (1963) and the articles leading to it – see Hall (1963, Appendix I.1 The Treatment of the Migration of Southern Ghanaian Cocoa-Farmers in Published Books, Reports, Etc., pp. 18-23)

Cocoa farmers as entrepreneurs

- “the myth of the small peasant farmer, as the backbone of the industry, responsible for growing most of the cocoa, has tended to strengthen as time has gone by” (Hill 1963, p. 18)
- But:
- “If ...I seem to be blaming others for their failure to recognize the facts during the past seventy years, at the same time I admit to having been even more blameworthy. And this has been a great incentive” (Hill 1963, p. 4) – discovery of migratory, capitalist, entrepreneurial cocoa farmers superseded Polly Hill, *The Gold Coast Cocoa Farmer: A Preliminary Survey* (Oxford University Press, 1956)

Innate inequality of rural capitalism

- Hill stressed the innate inequality of the enterprising rural capitalism that she discerned in West Africa – a chapter title in Hill (1986) was “The Logical Necessity for Economic Inequality within Rural Communities”
- Rejected “a largely unconscious Golden Age fallacy, which is shared by Marxists and non-Marxists alike: the sentimental belief that there was a time, often not long ago, when egalitarianism reigned in the village, possibly being associated with communal farming ... the very common idea that outside influences must always have been responsible for disturbing the ‘aboriginal equilibrium’” (1986, p. 70)



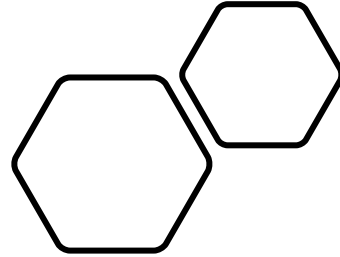
Innate inequality of rural capitalism

- “the riskiness of economic life in the rural tropics is so great, in terms of such adverse general factors as climatic uncertainty, crop diseases and insect attack, that for reasons of chance alone some households are bound to suffer more than others”
- “the rich are better able to meet the expenses associated with efficient crop production, such as the purchase of plough animals or organic manure”
- “most cultivators, particularly in West Africa, have non-farming occupations which may do much to reduce the risks of farming ... the richest farmers are those who pursue the most lucrative non-farming occupations so that they are better insured than the poor against crop deficiencies”

Entrepreneurship and innate inequality of rural communities

- Polly Hill's books and articles on rural capitalism in West Africa and her critique of development economics based on these studies constituted a pathbreaking body of work on the entrepreneurial nature and innate inequality of rural communities in the tropics
- Yet her cross-disciplinary status and approach has led her work to be neglected by economists because she was an anthropologist, by anthropologists because she was an economist, by entrepreneurship scholars (even when concerned with inequality in developing countries) because she wrote of "rural capitalism" rather than "rural enterprise" or "rural entrepreneurship", by Marxists because she celebrated entrepreneurship

Agripreneurs: farming as a business



- Belated recognition of African farmers as entrepreneurs: young college-educated Ghanaian farmers now “applying scientific approaches and data-crunching apps not just to increase yields, but to show that agriculture can be profitable. They call themselves ‘agripreneurs.’” (Sarah Maslin Nir, “In Africa, Taking Up Farming to Change Attitudes,” *New York Times International Weekly*, June 8, 2019)