PART TWO: POLICIES AND INSTITUTIONS

Kay Muir-Leresche

Politicians, Bureaucrats, Aid Agencies and Traditions

Many African country development strategies emphasise food self-sufficiency at both the household and national level. Given the chronic malnutrition throughout Africa and the recent food crises in Southern Africa, this emphasis is understandable. However Africans aspire to more than full stomachs. They want to participate in, contribute to and benefit from the global economy - they want to achieve higher incomes, a more egalitarian society, personal freedom and a sustainable environment.

They are frustrated in these attempts by political leaders and implementing bureaucrats whose *de facto* objectives are often to maximise individual power and money, rather than to develop their countries. African countries are further marginalised by industrial countries which heavily subsidise their own farmers and protect their manufacturers from competition. The expensive institutions required to meet international trade criteria also act as a barrier to entry for small developing countries. They are also often undermined by international and bilateral aid and lending institutions that take little responsibility for poor investments. At the same time delivery mechanisms usually strengthen the central government rather than the smallholders and rural areas. Recent initiatives with the formation of the African Union and NEPAD (New Partnership for African Development) have recognised many of these problems and in that recognition, make a start at attempting to correct that situation.

This section in the book highlights the national policies and institutions that most directly affect smallholder farmers. It provides ideas on how a more effective environment can be achieved.

CHAPTER 5

Inhibitors to Change: Political-economy and Smallholders

We saw from Section One that it is possible for change to occur even in the least favourable environments. This experience is also borne out by economic history in Southern Africa. Farmers at the start of the 20th Century responded to the vent for surplus created by the mineral rush and particularly in Zimbabwe and South Africa, they competed with their white counterparts despite an increasingly hostile environment[1]**.** However for the rest of the century, an accumulation of policies marginalised smallholders making it increasingly difficult for them to be productive. This is true, not only for southern Africa with its bias towards settlers, but for most of Africa which has favoured the industrial sector and state agriculture over smallholder development. Distortions in the macro-economic fundamentals, rent-seeking and insecure institutions can damage even the most vibrant agricultural sectors.

Explicit and implicit taxation of agriculture has had considerable effects on agriculture as measured by Schiff and Valdes[2] and many other authors. The effect of the urban bias was estimated by Krueger, Schiff and Valdes [3]to be a tax of over 50% on all agriculture in Zambia and over 50% on agricultural exports in Ghana. It is a testament to the perseverance and effectiveness of smallholders that any successes have been recorded in such distorted environments.

The unmeasured dynamic effects of this bias are probably the most destructive[4]. In some East and Southern African countries centralised institutions and the effect of the parastatal marketing system on eliminating opportunities for localised specialisation, exchange and commercialisation, resulted in almost half the land being relegated to subsistence. The institutions, infrastructure and expectations undermined any possibility of smallholder agriculture becoming an engine of growth.

- Marketing was centrally controlled and reduced opportunities for localised specialisation and exchange. This severely reduced development in rural areas and kept the people hostage to either a subsistence or wage-labour economy. *If development is to happen, the multiplier effects from production need to remain in rural areas.*

- Lack of secure tenure reduced incentives for investment and entrepreneurial activities in the rural areas.
  It is difficult to mobilise capital and encourage investment when resources are not treated as economic goods but as social or political privileges.

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[1]G. **Arrighi, (1970) "Labour Supplies in Historical Perspective"** ***J. Dev. Studies*** **6(3) pp197-234; Hans P. Binswanger and Robert F. Townsend 2000, "The Growth Performance of Agriculture in Subsaharan Africa"** ***Amer.J.Agr. Econ*** **No 5 p.1075-1086**

[2] M.W.**Schiff and A. Valdes (1992)** ***ThePlundering of Agriculture in Developing Countries*** **The World Bank, Washington DC**

[3]A. **Krueger, M.W. Schiff and A. Valdes eds. (1991)** ***The Political Economy of Agricultural Pricing Policy*** **John Hopkins University Press, Baltimore**

[4] The dynamic effects of distorted policies need to be much more rigorously investigated.

- State investment in infrastructure, research and extension favoured the urban areas, or in Southern Africa where there has been investment in agriculture, it favoured large-scale agriculture. The relatively low population densities and the limited surpluses being generated by most smallholder farming systems in Africa have not encouraged development of facilities and services by either government or the private sector.
  There needs to be investment in research, communication, marketing systems and infrastructure relevant to smallholder farmers in remote, semi-arid areas, with little access to skilled human and financial capital.

- Cost-plus pricing systems with prices established pan-territorially and pan-seasonally, encouraged inefficient production patterns. Macro distortions favoured capital-intensive commodities and techniques and more importantly precluded any opportunities for small transport operators and processors to provide competition to large national and multi-national corporations.
  The importance of encouraging competition and flexible markets; the need to reduce macro distortions and reduce government intervention in pricing are given wide lip-service. This needs to become reality.

- Over-valued currencies reduced producer prices for agricultural commodities (for both exports and import substitutes). Although official prices of imported inputs are lowered by overvalued currencies, in many cases lack of foreign currency created shortages that resulted in considerably higher black-market prices for the inputs for all but the privileged few with access to official supplies (examples from throughout Southern Africa).
  Overvalued currencies continue to reduce opportunities for rural development in some African countries.

- Poor communications, lack of information, inadequate transport and storage facilities and lack of competition through regulation or limited access to vehicles and fuel, reduced the opportunities and incentives to diversify from basic self-sufficiency strategies. Smallholders do respond to new opportunities but the rewards and risk levels are directly related. In Zimbabwe many smallholders have responded positively to the high returns from paprika and tobacco, but most continue to grow their food needs. Only those with very close access to urban markets have replaced food crops.
  The uncertainty of markets for food in hard times will mean that households will continue with risk-averse, subsistence dominated, production systems.

- Poorly functioning institutions arising both from policies that encourage rent-seeking as well as a poor skills base, have hampered rural development. In many countries political intervention and *ad hoc* policy changes, create insecurities that make it impossible for capital accumulation by ordinary citizens.
  Inconsistent policies and corruption limit both the opportunities for growth and the functioning of the market system. Implementing agencies need to upgrade their skills and build confidence and a strong ethic for promoting development.

- The lack of political power of most rural populations has reduced their ability to lobby for greater investment in rural areas and for policies and institutions that favour rural development.
  The dependence on central governments and district administrations for access to resources and information makes it impossible for these constituents to hold their leaders accountable.

The distorted international agricultural trade environment exacerbated these factors. This continues to make it very difficult for developing countries to compete in the global economy. However, distorted domestic policies and lack of investment in the smallholder sector are the main contributors to the lack of productivity and declining per capita agriculture in most of Africa. In determining which policies should be pursued it is important to recognise that we do not live in a perfect world and that we need to design policies that explicitly acknowledge the trade-offs involved. What should be the goals of national governments?

National Objectives and the Theory of Second Best

Social welfare, broadly defined, refers to increases in material goods and services and to improved social relations. To achieve this governments are established in order to enhance national goals - economic growth, equity, security and sustainability.

Economic growth occurs when we reorganise the allocation of our resources so that there is an increase in the goods and services produced from the same resources; or when we improve technology so that we are able to increase the potential of these resources to fill our material needs. To be efficient an economy needs to encourage the use of its most abundant resources and reduce the use of scarce resources. In most of Africa the abundant resource is either labour (e.g. Malawi, Lesotho) or land (e.g. Angola, DRC, Zambia) whereas the scarce resources throughout Africa are both financial and skilled human capital. When an economy is efficiently organised, it will maximise its opportunities for growth and the employment of abundant resources. For markets to be efficient there needs to be perfect competition. However, the theory of second best recognises that markets are not perfect and that any movement towards Pareto optimality is an improvement in efficiency. Thus policies which increase economic efficiency are growth friendly.

Equity is semantically more closely related to fairness and justice than it is to equality, but more radical interpretations denote equity to mean that every person, regardless of contribution, should share equally in all output. Most societies include "equity" as a major objective of their society, and in particular as the *raison d'etre* for government intervention. They are, however, usually silent on what precisely equity refers to and the meaning of equity in a society can only be inferred by its actions. However, it is only in decentralised, democratic societies, with most policy choices localised, that observed government decisions are a reflection of social choices.[5] The thesis here is that whatever the conceptualisation of equity, it includes the principle that improving the position of those who are disadvantaged forms a part of obtaining

[5] If decentralisation of local decisions, and wider regional blocks are created for security purposes, it is possible that the nation-state as we know it will change and the emerging "city- or village-states" may result in government decisions more closely reflecting the goals of its citizenry.

greater equity. The second best theory applied to equity, does not necessarily lead to optimal equity choices, but accepts that increasing the welfare of the poor, is an improvement in equity. Thus policies which assist the poor contribute to improving equity.

Another important goal is **security** and it is in this role that most nation-states have dominated. Systems and institutions are established in order to secure both people and property against infringement by other citizens, the state and by external forces. Issues of governance and the allocation of resources and priorities are dominated by our perceived need for security. The problem is that the existing political structures encourage African governments to view security as the need to secure their lifetime retention of political power. The governments spend most of their resources providing security against internal foes, often using non-existent external foes as the rationale for large defence and police forces. This absorbs much of the budget rather than providing society with the very important personal and property security that would enhance the achievement of growth and equity.

Security of tenure, a safe and harmonious social environment and access to information are essential to encourage investment and growth. Security also includes access to the basic necessities of life: food, shelter and clothing. This is being extended to include access to water, energy, education and health facilities in the Millenium Goals. It is in these areas that governments could play an active role. They could be used to facilitate growth and to assist the disadvantaged.

Food security does not necessarily mean food self-sufficiency just as national security from invasion does not necessarily require the ability for self-defence. Costa Rica, surrounded by volatile neighbours, relies on social contracts rather than armed forces.[6] Switzerland relies on trade not self-sufficiency for its food. Self-sufficiency is usually only achieved at the expense of both efficiency and equity. Security is important to investment and to growth, but it will damage both growth and equity when security is diverted from real threats. Any improvement in security that enhances economic efficiency and equity will contribute to development.

Sustainability of the system is the core business of the State once immediate needs have been met. This refers to the ability of the system to adapt to change and for the people to increase their welfare over time (or at the very least continue to survive!) It is important that we do not use up natural resources faster than we can replenish them. We must avoid polluting the earth faster than we are able to learn how to deal with our wastes and we need adaptable political, social and economic systems in order to be able to take advantage of technological change. Natural resources are more likely to be used sustainably if the costs and benefits of resource use are closely linked. Where they are not, individuals may make decisions that are unsustainable. This means that property rights need to be clearly specified and secure and that externalities are internalised. If a community owns its water and has control over its use, it will pay the community to invest in it. If a community is required to pay the full costs for the misuse of its resources (e.g. siltation from streambank cultivation) it

[6] Costa Rica disbanded their armed forces and invested their resources in rural development and social services, resulting in very high longevity and considerably improved welfare. They combined this with a constitution that emphasises the independence of the electoral system and discourages corruption.

will be more likely to find other ways of using the resources (the polluter pays principle).

Any policy change that is able to make improvements in any one of the above goals without undermining the others, can be said to improve social welfare. It may not be optimal but if it can move society closer to optimality, it is worthwhile. On the other hand policies implemented to enhance one goal must be very carefully examined to ensure that the costs in terms of the other goals do not outweigh the benefits. An example would be subsidising wheat production. It would enhance food self-sufficiency but could have negative impacts on growth by distorting production incentives, and on equity if it is only large farmers who benefit while consumers lose by paying higher prices for bread. There may also be negative effects on the environment. On the other hand if the long-term prospects for increasing wheat production are good, and the subsidy is only required to establish the wheat industry, (*known as infant industry protection)* the costs of the subsidy may be considered worthwhile. If wheat is unlikely to have comparative advantage in the future then the subsidy causes more harm than good. Each situation has to be judged individually, the important point is that policies must be assessed for their impact on all the goals so that policy-makers take informed decisions.
Countries need mechanisms for documenting policy impacts and for conveying these to government Ministers, Parliamentarians, technocrats and other civic leaders.

Source of the distortions: misconceived paradigms

1. The international community has for many years directed most aid, loans and support to central governments in the belief that these governments would invest funds in improving productivity. This was done with inadequate transparency arrangements for the use of these funds and inadequate assessment of the viability of the investments. Many of the debts in African countries have been incurred from loans that would not have been made if the lending agency took responsibility for default. These unproductive debts then accumulate until the macro-economic stability is undermined. When this occurs, rather than implement reforms, governments reduce productive and social investment and further distort the economy by introducing policies that result in an overvalued exchange rate, make accessing imported inputs very difficult and introduce subsidies, all of which undermine the ability of the farm sector to produce.

2. International and development fashions favouring large-scale agriculture predominated from 1950-1980 and affected agricultural policies in developing countries without taking into account their very different resource allocation. Economies of size arguments for agriculture arising from ideology in the USSR and the resource base in the USA (with its abundant land and capital) prevailed over the intensive smallholder agriculture experience in Asia. Policies and institutions were established which increasingly marginalised smallholders.

3. The political imperative to centralise was widespread. The colonial legacy in most African countries was to establish institutions that favoured the bureaucracies running these economies or, in the settler-run colonies, to the settlers' best advantage. The rural areas were seen as a reservoir of labour and were not expected to be more than

self-sufficient. Marxism and the newly independent African states retained their focus on central planning and restricted political and economic control to a small, educated elite. In general institutions which concentrate power breed strong imperatives for centralisation. In Zimbabwe, the economic sanctions facing the minority government in the 1960s and 1970s, entrenched the interests of large companies and centralised controls. Even after majority rule in 1980, the bureaucracies and the politicians, together with big business and big labour, found it easier to maintain a system of price controls and negotiated wages than to open the economy to competition and expand opportunities in the informal sector and rural areas.

The underlying paradigm is that "we must do for them because they can't do for themselves" or a continuation of the colonial mentality of patronage into the new African states. The parastatal marketing systems, the lack of effective decentralisation and the reluctance to devolve tenure to resource users are expressions both of the desire to retain political control and a lack of faith in rural people to make economically rational decisions. The ultimate expression of this paradigm is the need to control the size of landholding because the State must prevent anyone not making the profit the State thinks should be appropriate! The difficulties in obtaining approval for sub-division of land in South Africa and Zimbabwe[7] highlight the continued state control over land size.

The distortions

The institutions and policies of the settler and early independence era in most African countries were designed to entrench existing interests. They were premised on the importance of economies of scale and reinforced centralised allocatory pricing systems.

Property rights are fundamental to wealth creation and secure tenure over resources allows users to accumulate asset value, encourages them to invest in the resource and to use it in a way that enhances sustainability. In most of Africa farmers have few, if any rights over their land, water, forests or other resources. The ownership of the land is often vested in the State even though they may give *de facto* recognition of traditional rights, these are seldom *de jure*. This reduces the potential of land to contribute to the economy and often allows the state to abuse the traditional rights of smallholders. The flexibility of natural resource use is important, if African economies are to take advantage of globalisation. Chapter Six goes into some discussion on the advantages of different forms of resource tenure. It emphasises the importance of the security of that tenure, regardless of whether the property rights are held communally or individually.

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[7]Kay Muir "A Review of Agricultural Land Taxes, Farm Sub-division and Implications for Efficiency, Growth and Equity" chap. 4 "Report of the Commission of Inquiry into Appropriate Agricultural Land Tenure Systems in Zimbabwe" Zimbabwe Government October 1994

Michael Lipton. M. de Klerk and Merle Lipton, "Land, Labour and Livelihoods in Rural South Africa" reviewed in Agricultural Economics Vol 1339 (1998) Nos 1-3

Marketing and specialisation are also fundamental to rural development. In this regard many African countries face greater constraints than Asia. It is difficult and uneconomic to provide the infrastructure and services needed for effective interaction and exchange in sparsely populated countries or regions. In much of Africa the experience of the centralised marketing boards, while promoting particular commodities, undermined the potential for most smallholders to participate in the market and reduced opportunities for rural commercialisation. Over the years much of the so-called support for agriculture was actually support to urban consumers and state marketing boards. It actually contributed to the continued under-development of rural areas. Marketing issues are covered in some detail in Chapter Seven.

This implicit taxation of agriculture was also evident in the urban-bias of fiscal policy. There was very little investment in agriculture. The implicit taxation of agriculture through overvalued exchange rates as well as through the protection of local industries, forced up input prices (agricultural machinery, chemicals etc) or held down commodity prices (cotton, coffee). Corruption, mismanagement of the economy and the economic rents extracted from agriculture are encouraged by centralised institutions which rely on non-market forces to allocate the rights to engage both in business or farming (licences, access to foreign currency and resources). The more regulated the economy, the less able it is to respond to changes and the more likely it is to be corrupt. In Zimbabwe, even after liberalisation of the maize markets, there were still over 22 different health regulations that a small hammer miller was supposed to meet, to operate legally. The barriers to legitimacy increase opportunities for rents and increase the risk of entering business. Countries need to reassess regulations and reduce them to the bare minimum.

In many African countries the importance of restructuring economies so that they are more capable of responding to market forces has been recognised. However, in most of these countries, the implementation of structural adjustment programmes has faced formidable opposition both by the implementing governments and their citizenry. In most instances the hardships that are imposed by reducing the bureaucracy and reducing subsidies, has not been matched by the necessary deregulation and investment that would allow entrepreneurial activities to replace the jobs lost in government. The liberalisation of markets may have brought significant benefits to rural areas but the confidence of investors in the liberalised environment is undermined by the continuous cycle of decontrol and recontrol by governments faced with political pressures. The history of structural adjustment in Zambia relates the inconsistency with which entrepreneurs are faced. A similar situation existed in Zimbabwe.

Zambian Macro-reforms and International Agencies
(Based on Appendices and on Julius Shawa, 1993)[8]

In the past Zambia's economy has relied heavily on copper which accounted for up to 90% of its export earnings in some years. Very little government or private investment was made in the agricultural and tourism sectors, both of which have considerable potential to contribute to the economy. This changed in the late 1990s and the Zambian economy has benefited from a significant expansion in these sectors since 2000. This has resulted from changed government policies that have reduced the bias against agriculture and environment. Decentralisation and incentives for community participation in wildlife, together with an influx of skills and capital from Zimbabwe, has seen a marked growth in agriculture and tourism. This is reflected in the GDP growth rates of 3.5% in 2000, 4.9% in 2001 and about 3% in 2002. While inflation was brought down from the highs of the early 1990s (190%), it continues to fluctuate between 15-35%.

Up until 2000 Zambia had experienced negative growth rates since the mid 1970s and it was considered the worst performer of a country not in conflict and was the fourth worst performing economy in Africa with a negative growth rate of 1.7% per capita p.a. in the 1990s. This was attributed to a decline in social sector spending, high inflation, a decline in operational expenditure relative to the wage bill and poor and inadequate investment in infrastructure, research and communication.

Deregulation of the agricultural markets and the increased availability of foreign currency (due to reduced controls and successive devaluations) have contributed to the good performance of the Zambian economy since 2000. However, there have also been losers and the indiscriminate removal of tariffs has resulted in a decline in employment (particularly in textiles and clothing which have been affected by the import of cheap second-hand clothes). The deregulation of commodity and input marketing and the removal of subsidies opened agricultural markets but the decontrols have not been consistent and subsidies have continued, when applied, to favour the large-scale millers and firms. The removal of subsidies on fertiliser and seed did not result in the anticipated increase in availability to smallholders and more emphasis needs to be placed on facilitating access to inputs and markets by smallholder agriculture.

The Zambian economy has not fulfilled the potential of its natural resources and the inconsistencies of the international community have not helped. The lag in decisions can result in some disruptive anomalies that reflect the slow decision process and the loan officers' preoccupation with making loans rather than holding the borrower immediately accountable[9]. There are times when it is in the interest of the country for the donor agencies to be very

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[8] Julius Shawa, "Trade, price and market reform in Zambia: current status and constraints" *Food Policy* Vol18:No4 August 1993 pp294-299

[9] This was very clearly demonstrated in Zimbabwe when the announcement of released IMF funding coincided with unbudgeted large defence expenditure including jet fighters in June 1997. This was followed by large unbudgeted payments to former freedom fighters that resulted in massive government overexpenditure and escalation of internal debt. Then in 1998 a standy-by credit facility and funding were announced in June, at a time when there were record parastatal losses and Zimbabwe was engaged in the DRC war and was vociferous with controversial land rhetoric.
In 1999, the first two tranches were released almost exactly at the time of the announced purchase of a $30m jet for the President. In the meantime government spent five times the amount budgeted for land resettlement on unbudgeted housing for senior army officers.

stringent in the application of the terms of the loans. The agencies also need to be much more careful in assessing the viability of these loans to avoid situations where the debt burden does not overwhelm these economies. At the same time, with serious droughts or other crises, the agencies need to put in place emergency measures that assist the government and avoid derailing the restructuring programmes. The 1991 and 1992 droughts made it impossible for the Zambian government to effectively implement reforms. Far more aggressive programmes need to be put in place both to explain the restructuring to the population and to cushion the losers during the initial phases of adjustment.

A coupon system was used to cushion workers from the increased price of maizemeal after the removal of subsidies. In Zimbabwe the smallscale sector replaced refined meal with unrefined hammer meal and this significantly reduced the price shock. More active efforts need to be made to expand the informal processing sector in Zambia. There was some controversy over the coupon system that was designed to assist the formally employed workers in order to limit calls for wage increases. Leakages to the urban poor and unemployed enhanced equity but undermined coupons as a means to limit wage increases.

The dynamic effects of the "on again-off again" restructuring process have disencouraged investment in Zambia despite its natural potential. Since 1995 there appears to be an increasing confidence in the ability of the Zambian government to sustain its policies and this is reflected in the increased growth rates in recent years. However the budget and inflation targets continue to make it difficult to be sure that the IMF facility, and external investors and donors, will remain committed to Zambia unless they maintain their targets and 2003 saw the threatened withdrawal of special privileges. The IMF and World Bank need to provide consistency in the loans and programmes but they cannot allow their support to be used to prop up incumbent governments nor to be used to encourage political or economic rents. One approach may be to reduce the strong ties between these agencies and national governments and to encourage closer ties with the private sector and civil society who then take individual responsibility for programme loans. This will give them greater power when holding governments accountable as well as directing the responsibility for repayment directly to those affected. It will not be easy to achieve this but closer consideration needs to be given to any option that de-links the World Bank and IMF from political processes and controversies and provides closer co-operation with independent systems. The chronology of the World Bank and IMF programmes is given in the appendices.

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The way forward: the State as a facilitator not a resource allocator.

Government has an important role to play in rural development. To be effective it needs to reduce its role in allocating resources and making resource use decisions. It needs to increase its role as a facilitator, providing impetus to civil society to take up the challenge of developing agriculture and entrepreneurial activities. Government policies and institutions can effectively promote national goals without keeping control over the economy. Greater transparency and reduced corruption are additional benefits from reducing centralised control. If government becomes an effective facilitator with policies that encourage investment in rural areas, this will increase growth and equity and will reduce rural/urban drift. To encourage rural development African governments need to put in place systems that help smallholder farmers and, in particular women. In most of Africa the majority of small farmers are women. The marginal returns of investing into previously ignored sectors, areas and groups are likely to be relatively high, thus enhancing both growth and equity.

In a rapidly changing world, flexibility is often the key factor to a sustainable and vibrant economy. Institutions and policies need to recognise this and make it possible for economic agents to adapt and respond to new technologies and demand. Regulations need to be minimised in the interests of both transparency and efficiency. Flexible systems underlie the success of market economies. Allied to this is the importance of increasing investment in research, development and information access. Investment in these areas has lagged in most of Africa. If Africans are to play a meaningful role in the global economy, it is important for them to develop both products and marketing systems that are in demand.

The South African government is making a concerted effort to encourage the private sector to provide greater access to capital and contracts to previously disadvantaged groups. Some of the lessons from this experience could be used to provide greater opportunities to small farmers and entrepreneurs in rural areas, especially women. As a facilitator the government needs to encourage competition by reducing transaction costs and regulations, by improving communications and reducing marketing costs, by improving the flow of information in rural areas and developing skills. It needs to specifically address the needs of informal traders and smallscale processors. The benefits of growth can be more equitable if some of the multiplier effects from increased output are retained in rural areas.

The international community can assist by ensuring that in future loans to national governments are more transparent, more rigorously assessed and the information widely disseminated. If lending agencies were to be held more responsible for the loan, this could avoid some of the constantly accumulating debts of most African countries. The lending officer is seldom going to be in office when the loan matures and they are rewarded on the basis of loans made. More effective mechanisms need to be in place to reduce irresponsible lending. Infrastructural development needs to be maintained and this has not been successful in most countries. One approach could be to ensure that a local private company or user group has a direct interest in ensuring maintenance rather than simply leaving this to government.

Aid also needs to be more closely directed at user groups rather than central governments. This would reduce opportunities for economic, social and political rents at the national level. Even if rents continued to be made, if economic rents are transferred from centre to periphery then they are less likely to damage the economy because the multiplier effects will have some positive local benefits and the rents are less likely to be completely externalised.