

I

Introduction

Erst kommt das Fressen, dann die Moral.

First food, then morality.

(Mackie Messer, in Bertolt Brecht, Die Dreigroschenoper, Act II)

The relationship between development and democratization remains one of the most compelling topics of research in political science. Democracy has come to be understood as the outcome of conflicts that play out in the course of economic growth: between rich and poor, or between property owners and a predatory state.¹ Scholars have also explored how autocrats mold the institutions of their regimes to manage and defuse these economic conflicts and coerce or co-opt threatening groups into supporting their rule.² However, a wide range of authoritarian regimes' behaviors remain unexplained. We know little about how they intervene in the economy to shape its development, although such interventions are pervasive and widespread. We know little about why their economic policies differ from democracies, although the divergence in policy outcomes is large. We know little about how policy affects political stability, although we have every reason to believe that its effects are profound. Put simply, we do not know much about the ways in which governments

¹ On the class cleavage and redistribution, see Boix (2003) and Acemoglu and Robinson (2006). On the property rights or elite-competition approach, see Ansell and Samuels (2014).

² On institutional regime typologies, see Geddes (1999) and Svolik (2012). On legislatures and parties, see, for example, Gandhi and Przeworski (2007), Brownlee (2007), and Magaloni (2006). On coercive institutions, see Davenport (2007b) and Chestnut-Greitens (2016).

manage fundamental social conflicts during the course of development and how their management of these conflicts affects political outcomes.

One of the most salient and contentious social cleavages to be managed in developing nations is not between the rich and the poor, or the middle class and the state. It is between cities and the countryside, and it plays itself out in markets for agricultural produce and food. This is vividly illustrated by the recent experience of Venezuela. In September 2016, the government of President Nicolás Maduro was trapped in an economic and political crisis. The country was suffering from a deep recession, and inflation ran at several hundred percent. Crime, looting, and murder made his country one of the most dangerous in the world. Opposition leaders mobilized hundreds of thousands of supporters to protest against his regime and demand a vote to remove him from office. At the core of the crisis, severe shortages of basic goods left citizens spending hours a day waiting to buy food. Maduro, a committed socialist revolutionary and loyal follower of his predecessor, Hugo Chávez, had been educated in Cuba and worked as a bus driver before entering politics. As the crisis deepened, he grasped at ever more desperate measures to address the food crisis in the country. In late August, he promised to implement a rationing system in supermarkets using mandatory fingerprinting to prevent fraud. He gave the army unprecedented powers to control food production and distribution, which some observers saw as a dangerous move toward a military dictatorship. Soldiers could be seen taking control of supermarkets and butchers' shops in the capital, enforcing state-dictated prices, and maintaining order over the increasingly unruly crowds waiting to buy basic necessities.³

The crisis facing President Maduro in 2016 was severe, but not unique. Food affordability and availability are critical issues in developing countries, where it is not uncommon for consumers to spend 30–40 percent of their income on food.⁴ The large share of consumer income which is devoted to food purchases in poorer countries makes the price of food politically salient, and grievances around food security can quickly escalate to threaten political stability. To give one other recent example, in early 2008, as prices on world food markets hit record highs, President Hosni Mubarak of Egypt was forced to instruct the army to take control of the production and distribution of bread to meet consumer demand and stave off political strife. As in Venezuela in 2016, Egyptians were

³ Rathbone (2016), Schipani (2016b,c,d), and Corrales and von Bergen (2016).

⁴ Economic Research Service, USDA (2011) and Statistisches Bundesamt (2013).

waiting for hours outside bakeries to buy bread at low, subsidized prices. Violence and rioting broke out among frustrated, exhausted food consumers. This unrest destabilized the Mubarak regime and was seen by many as an important precursor to the uprising of the Arab Spring. During the 2011 unrest, which proved fatal for Mubarak's government, protesters on Tahrir Square wore loaves taped to their heads as "bread helmets" to symbolize their grievances against food shortages and defenselessness against state repression.⁵

Governments in the developing world must ensure that food markets meet the needs of consumers or face the threat of strife. Far from being a novel development, this has been true throughout the history. The rulers of ancient Rome provided free bread to citizens to stave off the danger of unrest, and food price increases played a significant role in provoking the 1848 revolutions in early modern Europe.⁶ However, the agricultural policy problem facing these regimes is not as simple as providing stable, low prices for urban citizens. Around 2.5 billion people in the developing world depend on agriculture for their incomes, and they are predominantly poor (World Bank, 2008). Their interests must also be taken into account. Consider the experience of Prayuth Chan-o-cha, the infantry general who played a key role in the 2006 military coup in Thailand and led the junta that assumed power following another putsch in May 2014. The 2014 takeover followed months of protests, violence, and political crisis as his democratically elected predecessor, Yingluck Shinawatra, faced a storm of criticism for her agricultural policies. These guaranteed high prices to rice farmers but, when prices fell on world markets, proved economically disastrous for the government, angering Bangkok-based royalist and military interests. After seizing power, General Prayuth moved swiftly to reverse the controversial rice policy and appease the powerful urban groups that supported him. Price supports were eliminated, farmers were encouraged to plant alternative crops, and Shinawatra was forced to stand trial on negligence charges related to the rice price scheme.⁷ However, Prayuth's policy shift proved short-lived. Despite his harsh criticism of his predecessor, and growing restrictions on political freedoms, by late 2015 protests and continued opposition by farmers loyal to Shinawatra forced him to implement significant price supports for rice farmers.⁸ As the experience of General Prayuth shows,

⁵ Knickmeyer (2008), Zurayk (2011), Economist (2012), and Cambanis (2015).

⁶ Brunt (1966), Walton and Seddon (1994), and Berger and Spoerer (2001).

⁷ Chomchuen and Steger (2014) and Peel (2014a,b, 2015).

⁸ Kondalamahanty (2015) and Webb and Temphairojana (2015).

agricultural policy is not only politically salient in developing countries. It also creates clear winners and losers, with government interventions that benefit rural farmers generally running against the preferences of urban interests.

The turbulent political events in Venezuela, Egypt, and Thailand outlined above appear at first glance to be short-term crises, with governments resorting to drastic measures such as military provision of food to address them. However, they are all in fact the legacies of years of extensive government intervention in agricultural markets. As we will see, these interventions can take on myriad forms, from import and export tariffs through trade quotas and subsidies for farm inputs or foodstuffs. They all have the effect of distorting the prices facing farmers and consumers in markets for agricultural produce, having profound consequences for their welfare and behavior as producers and purchasers of food. These policies are not the only factors determining the economic welfare of the rural and urban sectors and are often complemented or offset by other actions that do not function through the price mechanism such as infrastructure and development projects. However, government policies affecting prices in agricultural markets are an important component of the politics of developing countries. They remain commonplace, despite the best efforts of international organizations such as the World Bank and the International Monetary Fund to eliminate them from the policy portfolios of developing countries. Their distortionary effects, though occurring within a broader palette of government economic initiatives, are very large and shape countries' long-term development trajectories. These effects extend beyond domestic markets to international trade in agricultural commodities, giving them global significance. As we will see, political stability in developing countries is also affected by agricultural policy. However, these agricultural market interventions are not included in contemporary models of authoritarian politics and democratization.

In Venezuela, Maduro's predecessor Chávez was a charismatic populist who used his country's growing oil revenues to finance social spending and embark on a path of state-led development. His strategy included an ambitious socialist reform program, which aimed to achieve national self-sufficiency in food production. From the early 2000s, the Chávez regime imposed a raft of policies in the agricultural sector including food price controls, state-run supermarkets, import restrictions, and expropriations of land and food processing plants. These all had the effect of depressing domestic agricultural production, making the country prone to shortages

and dependent on imported food subsidized and distributed through state agencies.⁹ They also led to anger among right-wing landed elites, who backed a short-lived military coup that removed Chávez from power for two days in 2002 (Lapper and Webb-Vidal, 2004). With falling oil revenues after 2013, the government lacked the resources to make up the shortfall between consumer needs and meager domestic food production, shortages worsened, and political instability grew (Schipani, 2016a).

The roots of Mubarak's bread subsidies in Egypt can be traced back over thirty years. The former Air Force officer and leader of the ruling National Democratic Party was Vice-President to Anwar el-Sadat in 1977, when violent rioting shook the country in response to cuts to government subsidies for bread, flour, and other staples. The scale and intensity of the 1977 unrest made Sadat and his successor commit to a subsidy and rationing system that made the government responsible for providing low-cost food to the entire population. This system was very costly, paid low prices to farmers, and depressed domestic food production. Despite market-oriented reforms from the mid-1980s, the country remained highly dependent on imports of wheat (Gutner, 2002; Cassing et al., 2009). This dependence became a political liability for Mubarak when soaring food prices in 2007 and 2008 led to surging demand for cheap subsidized bread, shortages, and civil strife.

Agricultural policy in Thailand has been the site of political conflict between rural and urban interests for decades, with more democratic regimes tending to follow policies that favor the rural sector. Viewed as a lucrative source of revenue by a series of urban-biased military governments, rice exports were taxed and farmers' incomes were depressed until the mid-1980s. Subsequently, policy was liberalized, but the agricultural sector was neglected until the former telecommunications magnate Thaksin Shinawatra was able to mobilize the rural poor to take victory in the 2001 elections. Before being ousted by a military coup in 2006, he implemented policies that significantly increased the price of rice, bolstered the incomes of farmers, and guaranteed him a loyal power base among the "red shirts" in the countryside. Shinawatra's policies were continued by his sister Yingluck after she harnessed her brother's rural constituency to win the 2011 election, until she was replaced by another urban-biased military regime in 2014 (Warr and Kohpaiboon, 2009; Economist, 2013).

⁹ On expropriations, see Mander (2009b) and Albertus (2015b); on shortages, see Webb-Vidal (2006) and Mander (2009a, 2011).

1.1 QUESTIONS AND ANSWERS: AGRICULTURAL POLICY, REGIME TYPE, AND POLITICAL STABILITY

Agricultural markets are an arena for distributional conflicts between rural and urban interests, and the stakes of these conflicts are high for farmers and food consumers in developing countries. Unsurprisingly, then, political intervention in the sector is typical not just for Venezuela, Egypt, and Thailand, but also for most countries in the developing world. It also raises several important questions on the political economy of authoritarianism and democratization. There are questions of political influence and policymaking. What explains variation in agricultural market interventions, and would lead a government like Venezuela's or Egypt's to commit to measures that cause it to become dependent on fickle world food markets to feed its population? There are also questions of institutional variation and the effect of regime type on economic policy. Why do we observe so much policy volatility in Thailand, with military governments advocating drastically different strategies to those implemented by democratically elected politicians? Perhaps most important, the policies chosen by these governments appear to be linked closely with the stability of their regimes. Does agricultural policy make a significant contribution to the chances of political strife, unrest, and coups in the developing world, and can it be used as a tool by authoritarian leaders to prevent instability and transitions toward democracy? These questions form the core of this book.

I argue that interventions in agricultural markets generate rents – unearned income that can be used by governments to secure their position in power. Successive military governments in Thailand until the 1980s, for example, restricted exports of rice to extract rents from trade and fund infrastructure projects benefiting their urban supporters. However, agricultural policy also generates winners and losers: Behind the military regimes' infrastructure projects in Bangkok lay millions of farmers being paid less for their rice. Policy outcomes are the result of a trade-off between the interests of rural constituencies, who demand higher prices for agricultural commodities, and urban constituencies, who demand lower prices for farm produce and food. This trade-off is made by different rules depending on the institutional setting. Authoritarian leaders are self-interested actors who aim to maximize the rents that they can extract from the agricultural sector. They are subject to weak electoral constraints and possess the capacity to repress opposition to their rule. However, these leaders cannot act with complete autonomy

in policymaking. They must address the threats posed to their position by rural and urban interests. When either group finds it easier to act collectively in opposition to the regime, leadership will adjust policy to address their demands and maintain political stability. Because the rural population struggles to organize in collective opposition to authoritarian governments, policy under autocracy tends to be urban-biased and decrease returns to agriculture, compared to democracies. However, when the rural sector is dominated by landed elites, policy is more likely to favor agricultural producers. By addressing the threat of collective action posed by rural and urban interests, the agricultural policies chosen by authoritarian leaders make significant contributions to the durability of their regimes. Intervening in agricultural markets to increase the price of farm produce, they can mitigate the risk of a challenge by powerful rural interests, while by intervening to decrease the price of food they can lower the likelihood of unrest among urban food consumers.

Policy and Stability under Authoritarianism

Variation between authoritarian and democratic regimes means that the rural and urban sectors pursue their interests under distinct sets of rules depending on their institutional context. Authoritarian governments respond to the threat of collective action, that is, of rural or urban interests acting together to remove them from power.¹⁰ Because rural citizens struggle to organize to threaten authoritarian governments, authoritarian policy tends to be urban-biased, decreasing returns to farmers compared to democracies. The political expediency behind these policies is starkly illustrated by the experiences of Maduro in Venezuela and Mubarak in Egypt. Low food prices anger farmers, but they are powerless to translate this anger into a political threat comparable to that of a restive urban population faced with high food prices and shortages. As we saw, the threats to the Maduro and Mubarak regimes came from unrest in cities, not the countryside. When urban interests are powerful, an authoritarian leader will bow to their will, using trade restrictions, price controls, or other measures to keep food prices low and avoid the risk of urban strife.

However, this kind of urban bias cannot be attributed solely to authoritarian politics, and agricultural policy cannot be explained by simple

¹⁰ My approach to political influence under authoritarianism draws on canonical studies of collective action, development, and democratization by Olson (1965) and Bates (1981).

TABLE 1.1 *Variation in Agricultural Policy under Authoritarianism*

Regime Type	Urban/Rural Bias	Effect of Policy	Example
Military	Urban-biased	Decrease prices	Thailand
	Rural-biased	Increase prices	Chile
Single-party	Urban-biased	Decrease prices	China
	Rural-biased	Increase prices	Malaysia
Personal	Urban-biased	Decrease prices	Venezuela
	Rural-biased	Increase prices	Russia

institutional categorizations of authoritarian regimes. Rural interests, when they include a powerful landed elite, possess the organizational resources and capabilities to be influential within the ruling coalition. They often dominate authoritarian legislatures and parties, as I will describe in detail for the German and Malaysian cases in this book. They can mount a coup either alone or in alliance with the military or powerful industrial interests. Powerful rural interests can also threaten a regime by withdrawing their financial support or reducing agricultural production and threatening food security. When landholding inequality is high, policy is more likely to favor farmers over food consumers and increase prices for farm produce. This trend holds regardless of the type of authoritarian regime in question. Policy outcomes will cut across the sorts of typologies used by previous scholars to classify authoritarian governments as the power of rural and urban interests varies.

I illustrate this point with examples in Table 1.1. The Thai military governments of the 1980s were urban-biased, but when backed by powerful landed elites military dictatorships implement policies that follow rural interests. We saw this during Chávez’s brief removal from power in 2002, and it could also be observed in the policies of the Pinochet regime in Chile in the 1970s, which increased prices for agricultural producers (Silva, 1993). Similarly, single-party regimes’ policies depend on the structural bases of their support. The Chinese Communist Party, like the former socialist dictatorships in the Soviet Union and Eastern Europe, has long followed urban-biased policies that decrease returns to agriculture in order to direct investment toward industrialization and provide cheap food for workers.¹¹ The Malaysian regime under the United Malays National Organization, on the other

¹¹ Wallace (2014). On the Soviet Union, see Ploss (1965); on Eastern Europe, see, for example, Schöne (2005).

TABLE 1.2 *Agricultural Policy and Political Stability*

	Interests		Policy	Political Outcome	
	Rural	Urban		Failure	Urban Unrest
Authoritarianism	↑ ↑	↑ ↑	Urban-biased Rural-biased	↓	↓ Instability
Democracy	↑ ↑	↑ ↑	Urban-biased Rural-biased Moderate		Stability

hand, has intervened in agricultural markets to bolster the incomes of farmers, one of their most powerful constituencies.¹² As we have seen, the personalist dictatorships of Chávez and Maduro in Venezuela were the paradigm of an urban-biased agricultural policy regime. On the other hand, as part of a broader project aiming at promoting domestic agriculture, Vladimir Putin’s personalist regime in Russia responded to Western sanctions following the annexation of Crimea in 2014 by imposing import bans on Western farm produce. These bans have had the impact of significantly increasing domestic food prices in Russia, proving a boon to the local agricultural sector. In 2015, for the first time, Russia’s agricultural exports were worth more than its international arms sales.¹³

The agricultural policies chosen by authoritarian governments have significant effects on political stability and the chances of regime failure, which I summarize in Table 1.2. For many authoritarian regimes, where urban interests are powerful, following urban-biased policies that keep domestic food prices lower than those on international markets does address economic grievances among food consumers, raise living standards, and reduce the risk of protests, strikes, and other unrest in cities. For those facing a significant threat from powerful rural interests, on the other hand, implementing policies that increase domestic farm produce prices can significantly reduce the risk of a coup or regime failure, by distributing rents to the agricultural sector. For some regimes, however, the trade-off between rural and urban interests is not clear, as they are faced by significant threats from both landed elites and urban areas. These governments face a very difficult problem in agricultural policymaking

¹² See Scott (1985), Shamsul (1986), and Faaland, Parkinson, and Saniman (1990).
¹³ See Wengle (2017), Bidder (2016), and Economist (2016).

and, like Chávez in Venezuela in 2002, are confronted by political instability because a policy that benefits urban areas angers powerful rural interests, and vice versa.¹⁴

Policy and Stability under Democracy

Unlike authoritarian regimes, which respond to the threat of collective action and political instability, democratic governments seek reelection. They therefore aim to maximize the support they will receive from both voters and special interests who can contribute to their campaigns and mobilize supporters. Policies are put forward with an eye to gaining support from both groups and winning an impending electoral contest.¹⁵ Elections solve the collective action problem for citizens because voting does not imply the costs, including the risk of repression, that contentious or violent collective action requires to influence authoritarian governments. This has important consequences for agricultural policy. The rural population struggles to mobilize in defense of its economic interests under authoritarianism, unless it is dominated by a small landed elite. Under democracy, it is significantly better represented in policymaking. Although rural smallholders like the “red shirt” supporters of Thaksin in Thailand cannot mount a revolt to overthrow an authoritarian regime, they can vote a government out of office when it does not implement policies that follow their interests. Therefore, democratically elected governments are more likely to support agriculture, implementing policies like those made by the Thaksin governments in Thailand, which significantly increased the price of rice above world market levels and improved rural incomes compared to previous military regimes.¹⁶

The political equality implied by democracy means that large, unorganized constituencies, like farmers in developing countries, are better represented and receive more support from government than under authoritarianism. However, special-interest groups are very adept at organizing

¹⁴ Unforeseen international forces like spikes in global food prices or falling oil prices can also disrupt a government’s ability to follow their chosen strategy, forcing them away from a stable policy equilibrium and toward repression, as we saw in the Venezuelan and Egyptian cases earlier. However, here I focus on the domestic determinants of the trade-off between rural and urban interests in agricultural policy. On exogenous influences, see Wallace (2014, 187–205), who shows that increases in oil prices are translated into lower levels of support for farmers and greater support for food consumers.

¹⁵ See, for example, Stigler (1971), Peltzman (1976), and Grossman and Helpman (1994).

¹⁶ This has been confirmed in numerous empirical studies, for example, Bates and Block (2013), Olper (2001), and Olper and Raimondi (2013).