

Income and Use of Money in the Peasant Economy: Contributions to Rural Development Psychology From a Case Study

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Abstract: *Rural development processes taking place in peasant communities constitute an area of interest for community psychology, however, it is clear that this subdiscipline has made limited contributions to the comprehension of the psychosocial factors involved. This article considers that the peasant economic rationality differs profoundly from that proposed by market capitalism and that a better comprehension of its principles and priorities would be of vital importance to improve current initiatives dedicated to rural development. Thus, an investigation was conducted in the northeast of Argentina in an effort to understand the practices and representations tied to the use of money in peasant communities. The research arrived to the conclusion that the peasants, due to the fact that they live in an economy where scarcity is the norm, have resources and personal abilities to deal with contexts characterized by economic restrictions, but no with those of relative abundance.*

Keywords: Rural Development; Peasantry; Income; Cash.

1. Introduction

Community psychology undoubtedly has an interest in processes of rural development, particularly in the study of the development processes of powerless social groups, of which peasants are a part. Consequently, it is interesting to note that community psychology has long neglected the study of the psychosocial factors that influence rural development processes in peasant populations. Thus, not only are the studies undertaken in this area, from the perspective of psychology, few and far between but also, the majority of these investigations arise from a framework of traditional social psychology that tends to focus only on the set of internal factors associated to the low development level

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of peasants (i.e., 'need for achievement,' 'external locus of control,' 'aversion to risk,' 'scarce flexibility,' etc.) (Landini, Benitez & Murtagh, 2010). Within this perspective, the level at which these situations are determined by social factors is not taken into consideration, a level that could both contextualize and lend them significance. Instead, these approaches tend to give merely psychological explanations for social inequalities and consequently generate ideological conclusions that hold the peasants responsible for their own poverty (Martín-Baró, 1987).

In an effort to explore this long-neglected area of study, an exploratory research was undertaken in a peasant village in the Province of Formosa, Argentina, with the objective of identifying and describing the subject matter or factors related to rural development processes that, due to their psychosocial content, can be approached by the field of psychology. To this end, six areas of study were identified: the subjective impact of political clientelism, the relationship between rural extension workers and peasants, associative practices, peasant economic rationality, identity as related to rural life, and the subjective positioning (active or passive) of peasants. This work proposes to study one particular area of interest to rural development, that of peasant economic rationality, in particular, the practices and representations tied to peasants' use and management of money.

2. Contextualization of the Area of Study

Peasants are subsistence farmers characterized by their predominant use of family labor (Giarracca & Aparicio, 1995) as well as by not having the possibility to accumulate capital in a systematic manner (Manzanal, 1993) due to the fact that they work in conditions of poverty that only allow them a limited access to resources such as land, capital and technology (Tsakoumagkos, Soverna & Craviotti, 2000). Consequently, out of all farmers, peasants are the poorest group.

Despite a commonly held conception of the peasant as self-sufficient, as remaining independent in relation to the laws of the market, it is an undisputed reality that in today's society, peasant economies are undergoing a process of progressive commodification (Cáceres, 1995; Chonchol,

1990). In fact, elements such as the decrease in production for self-consumption, the desire to acquire goods and services such as televisions, cellular phones or electricity, as well as the loss of relations of reciprocity which allowed for the exchange of labor power without having to pay wages, or even the increasing use of agrochemicals, all result in the peasants' growing need to count on available cash in order to manage production and daily life in general (Bennhold-Thomsen, 1988; Silvetti & Cáceres, 1998).

However, it would be a mistake to assume that this process of commodification necessarily implies that the peasants are becoming capitalist agents (Chirinos, 2006). On the contrary, it is perfectly clear that the peasants' way of understanding their context as well as their decision-making process is often based on value systems and forms of property which are very different to those characteristic of the hegemonic social system (Mordo, 2001), or on sets of priorities in which communal and familial concerns prevail over profits. Consequently, as stated by several authors (Bendini, Tsakoumagkos & Destefano, 1993; Bennhold-Thomsen, 1988; Cáceres, Silvetti, Soto & Rebolledo, 1997), it is possible to argue that, *'a different kind of rationality and economic thinking lay behind the peasants' behavior than we are accustomed to in the modern Western world'* (Henningsen, 2001, p. 281).

Furthermore, given the growing importance that peasants allocate to money, as well as the fact that their economic rationality is profoundly different to that used by capitalist businessmen, it becomes necessary to understand the particular way in which these producers manage their monetary income. Only through acquiring a better understanding of the logic behind peasants' economic decisions is it possible to generate rural development projects that have a strong impact on said communities. However, as stated by numerous investigators, the particularities of these strategies as well as of the peasants' rationality are generally not recognized either by theoretical approaches or by rural extension workers (Carenzo, 2006; Mora Delgado, 2008), this, in part, causing the failure of numerous projects and initiatives (Cáceres *et al.*, 1997; Cáceres, 2003; Chirinos, 2006; Vargas Jimenez, 1996).

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Consequently, it is of utmost importance to clearly comprehend why these producers do what they do (Cittadini *et al.*, 2001; Cittadini & Perez, 1996).

Within the field of peasant studies, several authors have made important contributions to the task of comprehending the peasant economic rationality. Amongst other topics, these authors have studied factors such as the peasants' propensity for the use family labor, their attempts to reduce risk by diversifying their production, as well as common tendency to perceive farming activities as a unique process and not divided into specific areas. However, in contrast to the ample attention paid to these factors, little has been dedicated to understanding how peasants manage their income and assign meaning to the way they utilize it, even when money has acquired a growing importance in their lives. Consequently, increasing our knowledge of the ways in which peasants use cash would be highly important. The theoretical framework of this paper is based on two lines of thought. The first is related to community psychology, a subdiscipline that studies psychosocial phenomena on a community level, taking into account cultural and social context and looking to favor processes of social change taking place in the most underprivileged sectors of society (Montero, 2004), in this case rural development projects in peasant communities. The second line of thought emerges from the need to comprehend peasant rationality in relation to how they use and manage their money, an end towards which the ideas of social constructionism are used (e.g. Burr, 1999; Ibáñez, 2001; Potter, 1998), an approach that considers '*reality*' and '*knowledge*' not as mere reflections of the world but as human constructions. Thus, I adopt a theoretical framework that is characteristic of qualitative investigations, which seek to describe and comprehend the categories and social symbols through which people comprehend themselves, their behavior and the intersubjective world in which they live. Additionally, this investigation utilizes the concept of 'rationality,' defined as the collection of principles, rules and subjacent values that guide the actions of different groups or social actors and are derived from their worldviews (Landini, 2010).

3. The Methodology Employed in the Investigation

In order to make advances in the field of rural development psychology, an exploratory descriptive study was undertaken in the Misión Tacaaglé municipality, located in the province of Formosa, Argentina. This cotton, fruit and vegetable producing territory was chosen as the site for the research for multiple reasons, one of which is its high percentage of smallholder population. The objective of said investigation was to identify and describe the psychosocial processes that affect the impact of rural development initiatives in which the peasant population is involved. As said previously, this article only presents the results that shed light on the way the peasants manage their money and explain and lend meaning to its use

Seeking to avoid making purely psychological claims that reduce the complexity of social processes to psychosocial causes, the theoretical frame of complex systems theory was used (García, 1986). Thus, a multi-factorial approach to the material was employed, which allowed the integration of psychological factors with others pertaining to economic, sociopolitical and environmental fields.

Different techniques were used to gather the information needed. Firstly, secondary information regarding the sociopolitical, economic and environmental context was collected and analyzed. Secondly, participant observation was carried out for a period of six months, between January of 2003 and July of 2007, in the context of several field works in which I lived with a peasant family from the community. Finally, semi-structured interviews were conducted with different local figures of which 71 were peasants and 11 more were a combination of local leaders, rural extension workers and municipal officials, coming to a total of 82 interviewees. 25 of the interviews conducted with peasants focused on exploring their economic rationality, while the majority dealt with related topics.

The data obtained was systematized and analyzed in the period between August of 2007 and July of 2009, coming together in the form of my doctoral thesis. After the transcription of the interviews and the participant observation records, Atlas Ti, a scientific software application for qualitative research, was used to organize and analyze

the data collected. The investigation was carried out in 4 phases. The first rapprochement, which focused on unspecified participant observation, allowed for the beginning of an understanding of both the life and the productive practices of the community, which at first were unknown to the investigator. Next, an exploratory phase was implemented, consisting of participant observation and 10 interviews (5 to peasants and 5 to other social actors), all of which allowed the investigator to identify the thematic areas to be explored in subsequent interviews (the six areas of study previously mentioned) as well as to design the interview protocols to be utilized in future fieldwork. A descriptive period followed, during which 72 interviews were conducted so as to further explore the most significant elements of each of the areas of study aforementioned. Finally, a period of systematization was undertaken, where the analysis and final systematization of the data collected was carried out.

4. Needs, Income and Subsistence Strategies

In order to achieve subsistence or even improve their living conditions, peasants carry out different activities, utilizing available resources such as: family labor, the land, means for production, local know-how, social networking, off-farm incomes, etc. Through these practices, they aim to obtain a global income that will minimally allow them to cover their expenses. The following section of the paper will focus on analyzing the families' needs so as to then explore how these interact with the sources of income available to these communities.

4.1 The families' needs and the production process

The peasant families' main concern is that of satisfying their nutritional needs, particularly meat and nonperishable items like flour, oil, sugar and fat. Furthermore, they need to obtain clothing and footwear as well as cover expenditures related to their children's schooling. Additionally, these families' needs include basic expenditures related to health care coverage.

On the other hand, the peasants' capacity for

production depends upon their capability to withstand several factors. First, they have to have access to land, either owned by them or rented. Secondly, they need either draft animals or tractors to carry out processes of soil preparation. Furthermore, seeds are key factors towards obtaining a good harvest. After the soil is prepared, peasants must sow and fertilize the land (generally with urea), weed, apply insecticides and, finally, harvest.

4.2 Family labor and production for self-consumption

At the heart of the subsistence strategies employed by peasants is the use of family labor (Bendini *et al.*, 1993). For this reason, members of the domestic unit carry out the majority of the production-related tasks mentioned above. Additional workforce is hired on a need-only basis (for example during the cotton harvest) and, in any case, only for the areas dedicated to commercial farming (Cáceres, 2003). Many peasants are able to maintain a level of food self-sufficiency by covering an ample percentage of their needs through production for self-consumption, particularly of crops such as cassava and maize, but also beans, pumpkin, melon, and other vegetables. Furthermore, products such as poultry (a source of meat and eggs), sheep, pigs and cattle (for milk) can also be included in the production for self-consumption category.

Regardless of the importance of the practices (such as the use of family labor and production for self-consumption) employed by the peasants of Misión Tacaaglé, attention still needs to be paid to the limitations placed on the actual scope and reach of these practices. Given that it's a common strategy for subsistence to take on odd-jobs to generate off-farm income, as well as the fact that the make-up of many peasant families contains different types of family structures, family members are not always available as a source of labor (Carenzo, 2006). Furthermore, certain tasks like soil preparation are dependent on the availability of specific tools and draft animals (or tractors), which means that the peasants can't always execute them in an independent manner. Finally, the decrease in the production for self-consumption in the communities situated within the area studied is another important factor to consider.

4.3 Income in small amounts and municipal assistance

Outside of family labor and production for self-consumption, other areas of expenditures are: a portion of basic food needs, costs related to their children's education, soil preparation (if they do not have ox), labor force for market production of crops and, finally, health care. Furthermore, peasants also have to cover the expenditures needed to improve their productive capacity or living conditions and can do so only if they were able to acquire sufficient surplus during the harvest season. What follows is an analysis of how the peasants obtain the income to cover their expenses as well as the specific end to which each source of income is destined.

Since the mid-1980s the municipal government has been implementing a policy of providing small farmers with the machinery and tractors necessary for soil preparation (an aid which does not include the diesel needed to carry out the work), a much more affordable option than contracting machinery from a private owner. Additionally, the municipality also provides enough seeds to cultivate up to three hectares of cotton.

Peasants also have access to a variety of sources of off-farm income. Among them are day labor, welfare benefits or non-contributory pensions and remittances sent by family members who have emigrated. Small farmers from the area also engage in varied forms of odd jobbing, predominantly hoeing and harvesting.

There are many reasons why peasants would prefer to keep on working their land rather than leave in search of off-farm income. However, given the fact that the harvest generates income only in two moments of the year (November and April-May-June) and that crops harvested for self-consumption do not cover the nutritional needs of the home, the peasants must engage in alternative activities to procure income to cover their family's basic necessities. Consequently, a sort of competition arises between the amount of work needed for producing farm income and the need to maintain a steady influx of minimum income that leads the peasants to prioritize the source of this minimum

income over their own farm production. However, since the demand for odd-jobbing is cyclical, sporadic and erratic, it doesn't provide a real alternative to farm income. The income generated through odd-jobbing is used to various ends, but can be organized into three main areas of potential purchase: foodstuffs, supplies for production (seeds and insecticides) and soil preparation.

An alternative type of off-farm income is that stemming from social welfare benefits (monthly assistance for families below the line of poverty) and non-contributory pensions. Amongst those interviewed, the general consensus was that, although these benefits were not sufficient as a single source of subsistence, they were of particular importance. This is due to the fact that this assistance diminishes the need to look for odd-jobbing opportunities, thus allowing peasants to dedicate themselves fully to farm activities. In a manner similar to the income generated from working as day laborers, the income obtained from social benefits and retirement plans are destined primarily towards the purchase of foodstuffs. However, in the case of the latter, some peasants take advantage of this income, using it as a means for purchasing certain products in bulk (i.e.: 25 kilo bags of flour, 5 liters of oil, etc.) Furthermore, small farmers also use this income to pay for soil preparation and hoers.

Another source of off-farm income is that which the peasants receive in the form of remittances, sent by children or siblings who have emigrated to big cities. However, despite the fact that this is not a common form of income for the peasants who live in the region, it is highly valued because it is essential when dealing with unpredictable occurrences, as in the case of health care problems. Even in the situations where this type of assistance is not received regularly, the mere existence of these bonds represents a possible source of support to which they can turn in times of need.

Retail sales of farm products such as cassava, beans, vegetables, eggs and chicken is another source of income. Nevertheless, the peasants are only able to retail these products when their production exceeds the amounts needed for self-consumption. This type of income tends to be allocated towards covering daily costs, for example schooling and purchase of foodstuffs, all expenses for which cash is

needed. Several interviewees highlighted the importance of this type of income, particularly due to the fact that it becomes a farm income alternative to obtain small amounts of money, which, in other cases, would come only from off-farm jobs.

4.4 Availability and use of credit

Credit is another alternative used to address the needs of the peasant's family unit. Constantly mentioned by peasants throughout the interviews was the desire to have at their disposal enough credit to finance appropriate soil preparation, purchase good seeds and other raw materials, having enough money for family consumption and thus allowing them to dedicate themselves full-time to their farm by freeing them from engaging in day labor to make ends meet. However, due to a scarcity of available loans, the small farmers can only dedicate time to his farm when his financial situation allows for it, often having to reduce potential production in order to make enough money to provide for his family. While in the past peasants used to have access to bank credit, nowadays they must go through the production process counting only on their own resources.

Regardless of this situation, there are still some other forms of credit available to peasants, two of which are worth mentioning. Firstly, intermediaries and landlords offer seed and other raw material advances, which are then discounted from the sale of peasants' production, once they have harvested. Secondly, peasants can count on foodstuff advances from grocery store owners with which they have established a certain level of trust. However, nowadays, neither the amount of foodstuffs that they can obtain through this type of arrangement, nor the period of time that they have to pay the owner back, is comparable to what it used to be in the past.

When interviewed, many of the peasants insisted that they wished they could count on enough credit to be able to concentrate exclusively on producing farm income. What is interesting about this insistence is the belief that they could resolve most of their problems were they to receive sufficient credit, as if their problems were primarily of a financial nature. If this were the case, the problem could be solved by

providing them with a one-time subsidy or by selling cattle in order to finance the accumulation of working capital. However, experience shows that, in both situations, peasants tend to fall back into the same situation of financial constraints. Consequently, one could deduce that the problem seems to be related more to how peasants manage their cash money rather than the lack of working capital.

Within the peasants' economic logic, it seems as though credit not only holds a financial function but also serves as a guide towards an efficient use of their income. To be more precise, the existence of credit (generally given specifically for purchasing seeds or food) allows them to spend money on specific products rather than run the risk of it being used towards ends perceived by them as inadequate or unprofitable.

Furthermore, a loan can make unperceivable, in a subjective sense, the cost towards which the funds are being used. For example, this occurs in the case of seed advances; in this case, the peasants pay off the advance by means of deducting it from the total amount of money paid when they sell their harvest. In this way, there is no physical exchange of money taking place, but merely a deduction from a final sum of money. As one interviewee stated, "*this doesn't harm you because you don't feel the expense, since the actual production pays for it*"¹. In the case of the grocery store, peasants tend to settle their bills during the period of time when they are selling their produce, which is a time of relative abundance. In this way, instead of having to make these payments during a moment of the year characterized by scarcity (during the period when fields are sowed and cultivated) credits allow them to postpone these payments to a moment of the year characterized by relative abundance, in other words, harvest time. This deferred timing creates the impression that a certain expense carries with it less '*weight*,' making the process of covering costs somehow '*lighter*.'

A small farmer, who recently moved to the region, told of how a medium producer had lost a significant amount of

¹ All the peasants' quotes are translated from textual phrases taken from recorded interviews.

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his cattle because he had not invested in building a well. He said, *“I realized that these people [local farmers] don’t consider the death of a cow as money lost but they do consider as lost the cash that they have in their pockets and have to spend.”* This comment is key to arriving at an explanation for the way in which credit works in this society (as well as money in general). As previously mentioned, when a loan is paid off in the moment that the sale of production takes place, then its status as and expenditure is somehow diluted. Now, it can be added that, for these peasants, the status of ‘*potential money*’ (for example in the case of cattle owned) is not considered to be equivalent to that of ‘*actual money*’ (cash), the latter being the only one given the status of ‘*real*’ money. Consequently, spending 1,000 pesos to save an animal that can cost 1,200 is not considered to be a worthwhile expenditure because cash is thought of as having more value than a good that could be priced at the same rate. In this way, the logic that underlies the peasants’ conception of loans comes full-circle. This is because, *in all of these cases, credit appears to dilute, to evaporate, the expense to which it is applied. This is made possible by the use of the following mechanisms: the absence of an actual moment where money is exchanged, the act of postponing a payment from taking place in a period of scarcity to a period of relative abundance and, finally, the act of transforming its amount into mere ‘potential money,’ something which, in a sense, loses the consistency and value given to cash.*

4.5 Income from the sale of cotton and vegetables

The peasants’ main source of income comes from the wholesale of products geared towards the market, particularly cotton and vegetables. These are of utmost importance to them, due to the fact that the improvement of the welfare of their families depends on the sale of these products, which are the only ones that allow peasants to buy home appliances or farming tools, in contrast to other forms of obtaining income. In general, this income could be thought of as destined to cover two main areas of expenditures: those related to subsistence and those geared towards raising their quality of life and increasing their

productive capacity (accumulation). In terms of expenditures linked to subsistence, of particular importance are the purchase of foodstuffs and materials for production as well as paying off of loans to grocery stores and landlords. It is of interest to mention that all of these examples provide different ways in which the peasants maintain their current lifestyles and guarantee future income, but none of them provide a means towards actually accumulating capital. When income levels only allow peasants to acquire those goods mentioned above, the peasants consider they '*came out even*' because they were not able to make additional investments, *they were unable to improve in any way*. Under some circumstances, however, when the price of produce is good, surplus is generated and the peasants can then invest; in other words, they can go the extra mile to improve their living conditions and their production capacity.

Any surplus accumulated is destined towards three basic areas: the purchase of cattle, improvements made to the home and the acquisition of household appliances and tools. Many authors have already mentioned the use of purchasing of cattle as insurance against inflation and as a way to reduce risk (due to the fact that it can be sold at any moment) as well as its function as a strategy for capitalization and investment (Cáceres, 2006; Patiño, 2000; Stage & Rekve, 1998; Waithaka; Thornton, Herrero & Shepherd, 2006). The peasants' idea of '*improvements to the home*' primarily refers to building brick houses instead of the traditional ones, made of palm wood and adobe. In the case of the consumption of household items and utilities, these include adding electricity to the home, buying freezers, washing machines and televisions. Finally, some peasants mention using these funds to purchase new tools for production such as ox, plows, or maize-shelling machines. In any case, this option tends to come up much more infrequently in the interviews than the ones mentioned above.

Overall, there appear to exist multiple uses for the income generated through the wholesale of cotton and vegetables, however, in every case, expenditures related to social and material reproduction of life are prioritized over those tied to capitalization. Even in cases where some

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income is used towards capitalization, this is done for the objective of securing some sort of insurance (as in the case of purchasing cattle) and improving living conditions, all of this in detriment to other types of expenditures that would increase their productive capacity.

4.6 Relationships between costs and income

A series of reflections can be obtained from the previous section. It is interesting to highlight that, for various reasons, some expenses appear to be associated primarily to certain sources of income and not to others. At first glance, one can observe that the family's work is dedicated exclusively to those parts of the productive process that do not necessarily call for payments in cash such as soil preparation using ox, and hoeing and harvesting. Additionally, the family members' work generates foodstuffs by means of production for self-consumption. Clearly, municipal assistance supplements family labor because it provides many needed goods and services that can only be obtained by actually purchasing them with money: soil preparation using tractors and cotton seeds.

The basic nutritional needs of the family are met, aside from by production for self-consumption, through different sources of income such as: odd-jobbing, social or retirement plans, retail sales, grocery store credit and wholesale of produce. What is interesting about these sources of income is the specific way in which each one is geared towards a particular end. Income generated from the wholesales is used towards the purchase of merchandise in bulk, generally enough for a period of a month or more. Welfare and retirement plans are generally used towards buying large amounts of a particular product, but their purchase is determined by a monthly limit. Income generated from casual labor opportunities, like retailing, is only enough for daily, or, at most, weekly purchases of products needed. The different areas of production are primarily carried out by family labor, with the exception of soil preparation, which is usually a service provided for by the municipality or an external hire. The funds allocated towards soil preparation and the purchase of seed are usually generated by the wholesales of the harvest, although when these funds are

not sufficient, they can be procured from landlords in the form of a loan or, if not, through odd-jobbing.

Finally, the only area of income that is allocated towards the purchase of cattle and the capitalization of the peasant family is that which comes from the wholesale. Cattle purchased through these means tend to function as a store of value and is used to settle imbalances in any of the previously mentioned areas (nutritional or productive). Emergencies, on the other hand, tend to be covered by using income stemming from the sale of animals as well as from resources acquired from relationships with landlords, politicians or neighbors. Likewise, when illnesses become chronic and require treatment that can only be obtained outside of the area, any connection to family that has emigrated becomes an essential asset.

An interesting element that came up in numerous interviews was, when asked about how they were going to procure enough money to cover all their expenses, the peasants answered that they were going to *'figure it out'* or *'struggle.'* In other words, it was clear that they were going to make an effort to get what they needed, but were unable to clarify anything beyond that intention. In the end, it seems as though something will get done to resolve the problem, without it being clear exactly what that is or how. One peasant states, *"we find the means to sow, we get whatever little job or if not we sell some animal and we buy seed."* Within the capitalist logic, estimating cost and how much income will be obtained to cover these costs is a basic process of any business. However, this does not seem to apply in the case of peasants' economy. In fact, given their relatively limited access to resources and the scarce control they hold over the numerous variables that exert an influence over their work, this type of medium or long term planning is not common practice in the peasant communities.

In this context, it makes sense for the peasants to comment, as they did in the interviews, that if they do not obtain the necessary financial resources, they will not be able to, for example, buy seeds or hire someone to plough their land so they can then sow the seeds. However, it is striking to hear the peasants state that if they were able to

count on this money or were able to obtain it through loans, they would hire a tractor or purchase high yield seed. Now then, since many peasants have ox to prepare the land and the government provides them with sufficient amounts of seeds, is it really profitable for them to hire a tractor for soil preparation or to buy better quality seed? Incredibly enough, the peasants do not seem to ask themselves this fundamental question; on the contrary, they tend to make these decisions based on a firm belief that this is the best and most profitable use for their money, as if any production expense were to necessarily introduce an added value greater than its cost.

It becomes clear, then, that here, as in many other circumstances, if there is available cash, it tends to be spent rather than saved, without any economic evaluation of the potential benefits. This situation stands in stark contrast to a common idea held by various authors that peasants seek to minimize expenses as well as investment in production (e. g. Cittadini, 1995; Cittadini & Pérez, 1996). On the contrary, in this case, one could use the term '*liquid money*' to describe a process in which money made available in periods of relative abundance is spent in a rather thoughtless manner, slipping away quite easily, rather than being used towards a strategy of minimal spending. Given its importance, more attention will be paid to this point further on in this paper.

5. Surplus, Accumulation and Use of Money

5.1 Evaluation of the economic outcome of the farming

When peasants evaluate the economic results of their farming of vegetables or cotton, they can arrive at the following conclusions: that they won, tied or lost. When a peasant states that his product provided profit, it means that his income was substantially higher than the expenses he paid off with cash throughout the season. In practical terms, this means that the money he received from his landlord, once he deducted any advances he may have obtained, still leaves enough income left over to allow him to spend towards

the capitalization of his unit or, at least, it is more than enough to cover production costs. The alternative outcome is to suffer losses, which means that the income generated through the sale of produce throughout the entire season was less than production expenses. As stated by an interviewee, “*sometimes one doesn't even get back the money spent on seeds.*” A particularly common form of loss is when vegetables cannot be sold or when prices have dropped substantially.

The concept of coming out even is slightly more difficult to understand. Firstly, it refers to when income is equivalent to expenditures. However, it can also imply having obtained a small profit. This means that income only allows for canceling credits and purchasing some inputs and seeds, but is not enough to improve living conditions.

Within these alternatives, it is interesting to note the particular insistence with which the peasants make reference to the outcome of their work being either losses or coming out even, a result that makes them feel that their work does not allow them to improve. In this way, the peasants from Tacaaglé tend to perceive their life as merely working towards subsistence, without their efforts resulting in the possibility for bettering their living conditions.

The interviewees were asked how they arrived to the conclusion that they had come out either with losses or profit throughout a particular season. At first glance, their answers seemed to indicate that simple quantitative calculations of expenses and income were being carried out. However, it became clear further down the line, that the descriptions of calculations were more of a stereotype than a reflection of reality. Of course some peasants kept records of their income and expenses. However, most of them seemed to evaluate their economic results in a more direct manner, paying attention to whether or not there was surplus after having covered their own expenses, which include: paying off debts, foodstuff purchases, soil preparation and seed acquisitions. As stated by one small farmer, “*you realize [if you gained profit] if you are able to buy a pair of pants, some shoes, when you have some money left over.*” Evidently, these peasants do not structure their productive activity, even when geared towards the market, like a business. Their main

objective is to gain enough farm income to allow for their subsistence and, additionally, to improve their living conditions. Unlike businessman, peasants evaluate only whether they can subsist or improve; consequently, keeping a precise calculation of his expenses, his income or net benefits is neither a determining factor nor a main source of concern.

5.2 Good use of money and the possibilities of accumulation

Evidently, a level of income that is able to comfortably cover the cost of a family's needs (as determined by a particular culture) is a necessary condition towards generating capitalization processes. However, given that many psychosocial processes mediate this potentiality, this is a necessary but not sufficient condition. Consequently, it is of interest to explore those factors, identified by this investigation, that are related to accumulation processes.

When speaking about how to make their money last, or even how to '*progress*', the interviewees highlight the fact that it is necessary to know how to administer one's income, without being wasteful. In this manner, they distinguish three types of expenditures. First are those destined towards providing food and clothes for their families. The second type is investments, which include the purchase of cattle, renovations made to their farms or homes and the purchase of tools and household appliances. Finally, a third type of expense is that which is rejected on the basis of it being wasteful, which includes the purchase of '*knickknacks*,' in other words, money spent on alcohol or gambling, as well as the purchase of what is considered to be a '*luxury good*.'

Excluding those expenses used for material subsistence (nourishment and clothing), it is interesting to compare the remaining two categories so as to comprehend their particularities. In the case of the investments, one can observe that they are expenditures geared towards those goods that have long-term permanence and offer some sort of benefit to those who possess them (for example: improvements made to the home as well as the purchase of cattle and production tools). On the contrary, all the images utilized to describe those expenses that are rejected, speak of

short-lived experiences, or unnecessary goods that are consumed without leaving lasting benefits. In this manner, one can comprehend the depth of the comparison. From the perspective of the interviewees, in order to get ahead it becomes necessary to administer and conduct a proper use of money, using their income towards ends that can have a lasting effect on their families rather than spending on unnecessary purchases that run out in an inconsequential manner. Summarizing, there are three categories of expenditures: superfluous expenses, which are fleeting and thus undesired, those that are destined towards covering families' basic needs, which are necessary but do not generate progress for the home and, finally, investment expenditures, which are the most valued given that reallocate income from current consumption to durable goods that will allow to improve living conditions in the future in a sustainable way.

Given the comments made by different rural extension workers concerning the peasants' interest in receiving concentrated incomes, rather than dispersed over time, as well as the preference, indicated by Waithaka *et al.* (2006), in farming crops that produce income in the form of one payment, interviewees were asked if it was better to sell all the production at once or whether it should be fractioned (meaning retailed). Despite the fact that the question was perceived as a strange one, 18 out of 20 interviewees answered it, 14 (which is 78%) preferring to sell all together, versus 4 who chose to do this separately. In order to understand the reach of this desire to concentrate the amounts of money received, a new question was formulated to find out if they preferred a government subsidy of 1,500 pesos in the form of a single payment or if it was better to receive a 2,000 pesos subsidy, in the form of 4 monthly payments of 500 pesos (in other words, paid in separate increments). Although this was not mentioned during the interviews, the implicit monthly interest rate of this operation was of 23% and the annual interest rate was 1,243% (assuming a monthly capitalization and that the first payment of 500 pesos would be made in the same moment that they would receive the single payment). In this case, 17 of those interviewed answered the question, 11 (65%)

preferring the payment of 1,500 pesos and 6 preferring the 2,000 pesos made in the form of several payments. Interestingly enough, none of those who preferred the subsidy to be paid in increments stated the difference in amount as being the reason for their decision.

Two conclusions can be deduced from the information obtained. The first is that peasants tend to not take into consideration the interest rate implicit in this type of operations, because if it had been taken into account, their answers would have been different. Secondly, it seems that the peasants prefer to receive income in the form of a single payment rather than fractioned into parts, for reasons that will be clarified in the following section. Inversely, it was observed on different occasions, that peasants preferred to pay back their debts in the form of installments rather than in a single payment, even in cases of high interest rates.

The preference for income that comes in one concentrated amount (even in the face of possibilities to obtain significantly larger amounts if they accepted to receive it in the form of installments), once again brings up the issue of the use of money and the possibilities for accumulation. Several interviewees highlighted that, when faced with the alternative to receive either their income all together or in installments, their choice depended on the circumstances and objectives of each situation. Consequently, they preferred income in installments when the objective was to cover their family's basic needs, so as to ensure adequate and continuous nourishment. However, in order to make an investment such as the purchase of a freezer, for example, they preferred to receive the amount in one payment. Those who chose the income in the form of installments tended to highlight that, in this way, they were going to administer their money more efficiently, versus if they were to receive it all together. In the case of the latter, they stated, they could end up spending it on an unspecified end, which would lead them to lose it rather than invest in something that could be useful down the line. As stated by one interviewee, "*because sometimes you grab all the money together and then also, because you have a lot, you tend to misspend it.*"

In the case of those who preferred the money in one payment, they insisted –in an almost unanimous manner–

that when received in one large amount it could be put towards investing in improvements for their homes or used towards the purchase of cattle or soil preparation. If they were to opt for the installments, on the other hand, they could end up not having enough to achieve the desired operation. As one interviewee stated, *“it is better to charge all in one payment so you can do something, if not, little by little you do nothing.”* Why is it that in this case profit becomes invisible, even if they are dealing with equal amounts of money?

The interviewees were then asked if they could save some money every month so as to then have a larger amount, to which they responded that it was impossible to save because, *“when there is need you can’t save anything.”* In this sense, opting to receive the full payment at once has the objective of trying to capitalize and progress with the money obtained, as well as looking to avoid spending the subsidy superfluously. Consequently, unnecessary spending is avoided if the money is received in the form of one concentrated payment and is invested after receiving the payment. This is because money, when one has it, *‘seems to spend itself’*.

5.3 ‘Liquid’ money

The peasants interviewed argued that only if they receive money in the form of one concentrated payment are they then able to invest this sum. This is because they consider it to be extremely difficult to save money if they receive it in small sums, over a period of time. Obviously, this finding is not exclusive of peasants. In fact, people who are not very well off usually do not find it easy to save. However, the particularities of the peasants’ situation, characterized by different types of income, by the constant need to invest in order to maintain a functioning level of production, as well as the implications all of this has on rural development processes, make it so that it would be advisable to further explore how this process functions in peasant economies and how they make sense of it.

The peasants interviewed gave diverse reasons to explain why it is difficult for them to save money obtained in small amounts. Some of them claimed that this is due to not

knowing what to invest their money in and, consequently, end up spending it –little by little– superfluously without maximizing their return. Other peasants stated that when they had cash, they wanted to spend it on anything they saw since, “*money is kind of a temptation.*” Nonetheless, the majority of those interviewed highlighted the fact that they were not able to save cash because different needs or problems came up constantly, requiring that their money be spent to resolve these issues, for example the need to: fix a bicycle, buy a spare part needed for a tool or purchase school supplies. In summary, the problem lies in that, when money is had, it gets spent on daily expenses. Consequently, the peasants prefer to receive their payments at one time, all together, so as to then be able to spend it on something that allows for some form of permanent improvement.

However, an important question arises: how do the peasants satisfy their needs when they have already spent all of their income on some small investment, such as buying tools or bricks for their house? The first answer to this question states that in the case of not having the money needed, they must simply live with the need because, “*if I don't have the money I will have to put up with it.*” Nevertheless, there is a second answer to this problem which focuses on the fact that something, whatever that may be, needs to be done in order to come up with that money. This ‘*something*’ can include asking a landlord or politician for help, taking on odd-jobs, or, in the worst-case scenario, selling something, like cattle, for example. From an outsider's perspective, one could think that, when faced with the risk of not having enough money to survive, it becomes unadvisable to spend on the small investments mentioned above. However, from the peasant's perspective, based on their life experience, this is the only way that allows them to capitalize and achieve long-term improvements for their families. This is because the peasants interviewed seem to have the resources and skills to face situations characterized by scarcity, while they lack those needed to operate satisfactorily in contexts of relative abundance, which means periods of time where they have more money than that needed merely for subsistence.

Two arguments developed in this paper led to the

conclusion that money in the form of cash is considered to be something that '*slips through one's fingers*,' that is lost easily and cannot be retained, a situation which can be summarized by using the terms that are also title of this section: '*liquid money*.' As mentioned previously, in-kind credit (in the form of seed or food, for example) tends to allow for better management of their resources and helps them to avoid spending their money in an unproductive manner. Thus, the peasants avoid having to manage cash and deal only with the good and the compromise to pay, neither of which is subject to the '*liquidity*' that characterizes cash, which has a tendency towards unnecessary expenses. Similarly, it was previously shown how peasants, when they had sufficient funds, tended to buy better seeds or hire soil preparation services, when they could do it themselves with their own ox, all of this without conducting a real evaluation of the potential benefit to be received from this investment. Both cases described in this paragraph are particularly interesting because they are evidence of the peasants' tendency to use money when it is available, not only for their consumption but for small investments too, without considering the possibility of saving it.

This '*liquid*' property of money can be helpful when trying to understand a series of factors. Firstly, and in this context, it makes perfect sense to save in the form of goods rather than in cash, be it either through the purchase of cattle, construction materials for their homes or even seeds. It is in this manner that the peasants can engage in a form of saving, by '*solidifying*' their savings into tangible goods. Likewise, this also helps to comprehend the farming of cotton and vegetables as a capitalization and savings strategy, being that it allows for the process of investing resources (such as money and family labor) in small but steady amounts. In this way, by the season's end, the peasants accumulate in one payment everything they contributed to in separate instances, which favors capitalization processes.

Thirdly, the existence of this conceptualization of money as '*liquid*' is also useful when trying to explain (although tangentially) why peasants prefer to improve their living conditions instead of looking to expand their

productive capacity, without this tendency becoming a stated rule. This is because the 'consolidation' that could be obtained from expanding their cultivated areas or from the purchase of means of production in no way matches that to be gained from building a home out of solid materials, such as brick, for example. When peasants produce, they run the risk of having a terrible harvest and losing the majority of the resources in which they had previously invested. On the contrary, a new cistern or a brick home are characterized by long-term permanence. Consequently, it seems reasonable that peasants opt to capitalize so as to improve their quality of life rather than to augment their production capacity.

6. Final reflections

This paper sought to identify and comprehend how the peasants of Misión Tacaagle make their living, manage their income and assign meaning to what they do. The differentiated use given to the peasants' multiple sources of income was explored and analyzed in this paper, a topic which is of particular interest since much has been written about product and income diversification as a common peasant practice (e.g. Cáceres, 2006), yet no previous study addresses the different uses given to each source of income. The main results of this part of the article indicate that income stemming from activities like day laboring, welfare plans or retailing of produce is generally geared towards covering the peasants' nutritional needs, while the income obtained from the wholesale tends to be used for production expenses and towards accumulation processes.

Furthermore, given the fact that the sale of produce occurs during predetermined moments of the year, and are concentrated within a small period of time, it became clear that income stemming from monthly welfare and retirement plans are of fundamental importance to the peasants since this influx of money allows them to satisfy their families nutritional needs without having to take on off-farm labor. Within the same logic, the income obtained from retailing self-consumption products takes on a renewed importance since it provides a year-round source of monetary resources and thus helps peasants to remain and work on their farms. Nevertheless, it is important to note that due to its being a

practice that provides income in small amounts throughout the entire year, it is a strategy that cannot easily replace cotton and vegetable production, which in turn provides them with a concentrated income, thus stimulating capitalization processes.

Another interesting contribution is the finding, description and analysis of the peasants' preference for receiving their income in the form of one payment instead of in the form of installments paid over a period time, which is a result of the common perception that money '*dilutes itself*' if obtained in small increments. The importance of this contribution lies in that there are important practical consequences resulting from this way of conceptualizing money. This is because this conclusion helps to comprehend a wide range of different forms of conduct and strategies employed by peasants, including how difficult it is for them to save money, their tendency towards quick spending following the reception of a sum of cash from an important sale or, finally, the desire to continue to farm certain crops that allow them to obtain payments in large amounts when they are not necessarily the most profitable.

Furthermore, the fact that money in the form of cash possesses certain characteristics that makes the peasants perceive it as being '*liquid*' results in the important conclusion that these small farmers have the knowledge, the methodologies and the necessary connections to deal with contexts of scarcity in terms of material and monetary resources, but not those needed to deal with situations characterized by abundance. Consequently, when the need arises to retain income in the form of cash rather than in concrete goods, they are unable to appeal to a large part of their know-how and instead end up spending it in a manner that is not the most desirable from their point of view. In this way, the role that in-kind finance fulfills in the peasant's economy becomes clear, being that this type of credit helps them to ensure that their money is spent efficiently.

Many of these conclusions can become useful when designing and executing rural development projects. One of the findings worth highlighting is the importance of supporting concentrated forms of income in order to encourage capitalization processes. Furthermore, it would be

useful to think about developing in-kind credit related to the seasonal distribution of the peasants' income, being that the management of money is a particularly problematic issue for them. Finally, the fact that these peasants do not intuitively conceive their production activity as a business makes it advisable for agents of development to try to avoid imposing on them their own economic logic. Instead, development initiatives should try to come up with alternatives that are coherent with the peasants' view of their work and economy. In conclusion, it becomes clear that a better comprehension of peasants' economic rationality constitutes an invaluable tool towards generating intervention strategies geared towards real rural development processes.

In conclusion, it is important to highlight the important role that psychology, as a social science, has to play in the study of the psychosocial factors and processes that influence initiatives for rural development carried out in peasant communities. However, it is important that this science do so from a perspective that recognizes that social phenomena are determined by multiple factors, thus avoiding a reductionism that explains all social inequalities through psychological factors and thus analyzes them from a single point of view. In any case, the specifics of how the field of psychology should contribute to this area of study are still under discussion due to the fact that the possibilities are varied, as are the approaches and the theoretical frameworks available. This article utilized an exploratory-descriptive approach, one with predominantly ethnographic content, which was geared towards the reconstruction of the practices and representations linked to the use and management of money in peasant economies. This, in turn, generated different conclusions that are of interest to this area of study, despite the fact that they do not differ greatly from the type of research that could be carried out by other social sciences. In any case, the field of community psychology should not avoid a potential area of study that is composed of the psychosocial factors linked to rural development processes in peasant communities, but instead recognize it as an opportunity and even a challenge.

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Psychology From a Case Study*

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