



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

AGRICULTURE AND GOVERNMENTS IN AN INTERDEPENDENT WORLD

PROCEEDINGS
OF THE
TWENTIETH
INTERNATIONAL CONFERENCE
OF AGRICULTURAL ECONOMISTS

Held at Buenos Aires, Argentina
24–31 August 1988

Edited by
Allen Maunder, Agricultural Economics Unit, Queen Elizabeth House
University of Oxford, England
and
Alberto Valdés, International Food Policy Research Institute
Washington DC, USA

INTERNATIONAL ASSOCIATION OF
AGRICULTURAL ECONOMISTS
QUEEN ELIZABETH HOUSE
UNIVERSITY OF OXFORD

1989

Dartmouth

JOHN W. LONGWORTH
PRESIDENT ELECT

*Synoptic view**

Michel Petit in his Presidential Address, reminded us of our Founder President's recipe for a successful conference:

Friendship; Tolerance; Gravity;
Humour; Thought; Play.
Mix well and use freely while you are here.

L. K Elmhirst, 26 August 1929

Friendships were formed and renewed aplenty during this our 20th International Conference. There were 869 persons in attendance (759 participants and 110 accompanying persons) from 43 countries. This cocktail of humanity bubbled like a large bowl of champagne for eight days. Hundreds of friendly exchanges occurred, many of which will lead to future collaborations of various kinds. The conference has provided a massive informal clearing house for contacts, ideas and just good fellowship. A great sense of goodwill and mutual understanding prevailed.

With so many people from such diverse backgrounds and cultures and with major language barriers to overcome, *tolerance* was a major factor in making the conference such a success. The only heated debates were engendered by arguments over professional differences, and this is how it should be. Vigorous interaction between participants during formal conference sessions has always been encouraged by IAAE. This conference has been completely free of any suggestion of discrimination. Gender, race, ideology, politics – the stuff of trouble in many international forums – played no part in our scientific deliberations.

Participants acknowledged the *gravity* of the issues being discussed at the conference. Speakers emphasised the crises facing world agriculture, especially the paradox of food surpluses in the face of deficits. Real efforts were made to understand better the causes of these problems and to suggest solutions.

*This is a 'synoptic view' of all the papers presented at the Twentieth Conference of the International Association of Agricultural Economists which met in Buenos Aires, Argentina, 24th – 31st August, 1988. Names are used to refer to papers presented by various speakers at the conference. Such references should be adequate in a Proceedings Volume which will contain most of the papers and will be accompanied by a 'Contributed Papers' Volume, (*IAAE Occasional Papers No. 5*) containing the remaining papers.

Attendance at all the plenary and invited paper sessions was excellent which demonstrates not only the gravity with which participants viewed the topics under discussion but also the perceived quality of the speakers. I visited all the discussion groups during their third or fourth meeting (towards the end of the conference) and found the majority of the groups had developed substantial 'heads of steam'. It was delightful to observe the group dynamics of some of these gatherings. Many poster sessions drew embarrassingly large crowds. Better facilities for poster sessions will need to be high on the agenda for the next conference.

Buenos Aires is one of the famous playgrounds of South America and *play* has been an important ingredient in the conference for all participants. The organized recreational activities, the 'Tango Night', the 'Fiesta Gaucha' and the 'Banquet' were all memorable occasions. But it will be the unofficial leisure time activities, especially of those young participants of both sexes who could speak a little Spanish, which may leave a lasting impression on some of the residents of Argentina.

Humour is always a scarce ingredient at formal conference sessions. Cross-cultural and language differences make it extremely difficult to be funny successfully at such meetings. Nevertheless, there have been times during this conference when the whole audience has 'broken up', with laughter. Few will forget Warley's American who 'threw the wrong bitch out the window', Mundlak's aside about 'looking for a black cat in a dark room', or Lattimore's 'New Zealand balloonists lost over central Australia'. However, the prize must go to Justin Lin for his classic parable about the three monks. This parable will be remembered long after we have forgotten most of the rest of the conference. Of course, some of the best humorous stories were told well away from formal sessions. [I especially enjoyed Victor Nazarenko's joke about the CIA and the KGB – ask Murray Hawkins for the details.]

Of Elmhirst's six ingredients for a successful conference, '*Thought*' must take a central place, and so it did at this our 20th gathering. I would like to devote the remainder of my comments to the major intellectual thrusts I feel have been evident over the last eight days.

Old philosophical concepts revisited

Agricultural fundamentalism and especially those aspects which can be traced back to the French Physiocrats seems to have been revived. The conference discussions have all been predicated on the assumption that rural people count. Not necessarily more than the urban folk – as the old-fashioned agricultural fundamentalists would argue - but nonetheless we have placed rural interests at the centre of our discussions. And this is as it should be – the IAAE is an Association devoted to improving the lot of rural people the world over.

Mercantilism is another old concept revived at this conference albeit in a novel context. GATT, it was pointed out by Siamwalla, is really a mercantilistic club.

Research methodology and what constitute value to society was not often explicitly debated in the sessions – most presenters assumed they were address-

ing the converted. Yet fundamental to almost all papers was the acceptance of the notion that economics is prescriptive and normative. Rarely did these pragmatists explicitly state the value systems by which they were guided in their research.

But the debate between the positivists and the pragmatists is not a settled issue – ask anyone who participated in the Discussion Group with Theodore Dams and Glenn Johnson. These two argued for hours about the morality of being as positivistic as possible (Dams) and the practicality of being a pragmatic institutionalist (Johnson).

In the main sessions of the congress, the pragmatic institutionalism of Veblen, Commons, Dewey and Kenneth Parsons was alive and well. Indeed, at times the enthusiastic normative prescriptions could only be described as a form of economic imperialism. While Glenn Johnson may argue that economics and ethics are inseparable, we would do well to recognize the fallibility of our analyses. There are things outside the bounds of the economic calculus which greatly influence the well-being of rural people.

New analytical concepts debated

Foremost among the analytical constructs discussed at these meetings have been the aggregate measures of protection. Lively and productive discussions have occurred about such things as what precisely do PSEs, ERPs and so on, measure, and how can these measures be used in trade negotiations and for what purpose.

These are ‘nuts and bolts’ issues for the profession. It is in this area of trade policy reform where pragmatic economic analysis has begun to have a major impact in recent years. Public perceptions of the costs of protection are being heightened. As Myrdal emphasized, social mores and values are dynamic. Public policy in a democracy if it is successful in the long run, must be consistent with the agreed value systems of the major concerned groups. In part, the role of the economist is to provide information so that the beliefs and values of society are based on truth and not ideology.

This conference has been almost totally free of ideology. We have concentrated on the search for the treasure chest of truth. Tools which help us dig for this treasure include measures of protection and macroeconomic models.

Macromodelling was suggested by Michel Petit in his Presidential Address as one way to understand better the interdependencies of agriculture and government – the major task of this conference.

We have enjoyed a smorgasbord of these models. The procedures, assumptions, data and results have been reviewed and debated. Great progress has been made to push back the frontiers of *modelling*. Much has been learned by the modellers – the construction of any formal model is a most effective means of creating human capital. But we have been cautioned against accepting the results of these models by Bruce Gardiner. He argues we can have absolutely no confidence in the price and welfare consequences of agricultural trade liberalization predicted by the currently available large-scale simulation studies. Clearly, more work needs to be done in this area.

Recent economic history explained

Agricultural issues have been before GATT since its inception. Warley outlined the forty year history of negotiations on agriculture trade policies within the GATT framework.

Land tenure is a remarkably diverse institution. Many authors touched on aspects of land ownership but the explosion of the systems which have evolved in Sub-Saharan Africa by Raymond Noronha makes fascinating reading.

USA domestic agricultural policy has played an enormous role in world agriculture since World War II. There were two delightfully lucid papers (Schuh, and Drabenstott and Barkema) which both describe and attempt to explain the Odyssey of the US agricultural sector over the last forty years. Despite enormous investment in human capital of the economics variety, the USA now has more unresolved problems on both the domestic and the international agricultural policy agenda than was the case forty years ago.

Major policy reforms have occurred in domestic agricultural policy in many countries. Many of these were reviewed at this conference. In fact, this stocktaking has been one of the very valuable contributions of the excellent programme we have enjoyed. Perhaps the most interesting session was that devoted to reforms in the USSR, CMEA countries and China, although the case studies of New Zealand, Chile and Korea also constituted an excellent set of papers.

The changes taking place in China and in the USSR are potentially the biggest socio-economic events of the second half of the twentieth century. I have seen what is going on in China – it is truly remarkable but not without its problems and dangers. The next five years will be crucial. The reforms in the USSR seem to have been much less successful than in China – but then it is perhaps early days yet. We are indebted to Victor Nazarenko for his excellent contemporaneous exposition on the situation in the USSR. We will, as I have mentioned above, long remember Justin Lin's presentation on China, built as it was around the allegorical sketch of the three princes and the three monks.

Reforms: institution building and dismantling

Reforms mean change. Change usually involves both the construction/encouragement of new institutions and the dismantling/discouragement of old ones.

Many papers dealt with these issues. Foremost among these contributions was Hayami's *Elmhirst Memorial Lecture*. This paper includes so many new insights that I hesitate to select one because I may not be doing justice to the author. However, let me remind you of the points Hayami made about the concept of 'the market'.

He contrasted the 'community-yoke' view of the market with the 'evil-market' thesis. He argued that these are not mutually exclusive or diametrically opposed viewpoints. In the context of the village economy, there are elements of truth in both. Hayami made a convincing case for the view that under the conditions faced by semi-subsistence peasants, market failure will be pervasive unless traditional community relations can be relied upon to correct market failures. He suggests that in analysing the impact of reforms we must not only

consider the possibility of 'government failure' and 'market failure' but also the possibility of 'community failure'.

Hayami points out that the imposition of 'modern' institutions imported from developed countries (or even from developed regions of the same country as in China) which do not 'fit' traditional norms and organizational principles, will be sabotaged by local people and will fail to produce development. The search for the appropriate institutional reform and hence policy, according to Hayami, must begin by understanding the reality at the grassroots community level in each developing country. On close examination, I discovered many examples in the presentations at this conference which strongly support Hayami's conclusion.

Most of the papers which discussed agricultural reforms in individual countries were more descriptive than analytical. No doubt, over time we will accumulate much more data and perhaps by the time of the next conference we will be able to analyse more closely the income distributional and other consequences of the domestic reforms now underway in many countries.

Apart from the broad changes in direction implied by the current wave of reformist activity, there are many examples of important institution building efforts which have been going on for many years.

Research is one such major area. In the case of research, agriculture and government have interfaced both at a national and on an international level. There has been a growing interdependency in world agricultural research over the last 25 years. A whole set of new institutions has been established to encourage this interdependency. These public sector research institutions are co-ordinated by the Consultative Group on International Agricultural Research (CGIAR). This international network of research establishments played a leading role in the 'green revolution' which has significantly increased wheat and rice yields in many countries. The paper by Anderson and Herdt reviews that prospects for major new breakthroughs in foodgrain production technology into the next century. They are essentially cautiously optimistic. No miracle development appears likely according to them. They expect potential levels of productivity to continue to be slowly increased. They argue that there is relatively little unused technical capacity in world foodgrain capacity given the current incentives faced by farmers. Anderson and Herdt believe that more of the available technology would be adopted with a resultant substantial increase in output of foodgrains if the incentives faced by farmers were improved. This raises the crucial issue of the relative importance of price and non-price incentives.

The role of price and non-price incentives

Early in the conference Uma Lele and John Mellor presented a paper which addressed the relative importance of price and non-price incentives/disincentives in the determination of output. They conclude that price incentives, while important, can easily be over emphasized. An appropriate balance needs to be struck between price incentives and infrastructure support.

In discussion the point was made that soft infrastructure (good human capital in the form of competent administrators, teachers, commercial people and so on) is essential to success in rural development. Good quality soft infrastructure

follows hard infrastructure into rural areas. Roads, telecommunications, educational and health services, all these things are necessary before the agribusiness sector will develop to link farmers with their urban customers. This point was stressed by Victor Nazarenko as the major thrust of current policy in the USSR.

Throughout this conference great emphasis has been placed on the hypothesis that macroeconomic variables have a major influence on agricultural development and welfare. These policies impact on agriculture indirectly, largely but not exclusively through prices for inputs and outputs. The evidence presented by many contributors is overwhelmingly in support of the basic hypothesis. Anne Kreuger drew attention to this fact. She asked why farmer lobby groups in many countries continued to remain silent on macro policy issues while vigorously seeking sector specific policies which, while yielding direct benefits to the sector, may be relatively unimportant determinants of the overall outcome.

The two previous paragraphs represent something of a paradox. On the one hand, we have debated the relative importance of price and non-price incentives and concluded that price incentives may not *on their own* be dominant in determining aggregate agricultural output. On the other, most people will have been convinced that macro policy measures which largely work through relative prices are dominant determinants of agricultural output. More work is clearly needed on these issues.

Direct versus indirect policies

Direct, sector specific policies are of two types, that is, price policies (for inputs or outputs) which drive a wedge between farmgate and border prices, and all non-price policies. In the non-price group we can include direct income grants, land tenure policy, research and extension, education and health, rural infrastructure development, and so on. A large number of papers at this conference addressed the impact of those kinds of policies. Indeed it was pointed out that until the late 1970s, our profession rarely ventured beyond the confines of this set.

Indirect policies embrace not only the usual macroeconomic areas, such as exchange rate, interest rate, fiscal and monetary policy, but also those policies which impact directly on nonagricultural sectors such as protection for manufacturers. These latter policies have an important indirect impact on agriculture often via a macro variable such as the exchange rate. The major distinguishing feature of the programme for this conference was the emphasis given to these indirect policies. There have been some excellent contributions in this area.

Somewhat surprisingly, however, inflation has not received much attention. Undoubtedly inflation has a major impact on economic decision making and the incentive structure for rural people. It is a most regressive phenomenon which effectively places a heavy tax on those least able to protect themselves against inflation. Landless rural workers are always severely disadvantaged by high rates of inflation. Perhaps we could have devoted more time to this problem.

Conclusion

In his Presidential Address, Michel Petit referred to the 'Global Village'. In some senses world agriculture has become one interdependent rural village. But the world is clearly not a village in the Hayami sense. Hayami stressed that a rural village has institutions, social mores, customs and other cultural constraints on behaviour which virtually eliminate moral hazards. On a world scale no such constraints exist.

Petit went on to contrast the frugality of Japan, now the world's biggest creditor nation, with the recent spendthrift behaviour of the USA which is now the largest debtor nation. When nations such as the USA fail to manage their international financial obligations in a frugal manner, is it any surprise that other countries follow suit?

Where are we headed? Outlook papers at this conference argue that only liberalization of world agricultural trade *and* continued historically high rates of economic growth in the world economy can save many of the LDC debtor nations from real disaster. The next few years will be crucial if the economic world we have known since World War II is to survive into the twenty-first century.

We agricultural economists now face enormous professional challenges. Never before in the history of mankind has there been available so much 'economic knowledge' or 'economic human capital'. It is our professional and moral responsibility to use this capital wisely – to tackle the important questions and to attempt to find answers.

We have had a good conference – indeed Mr. Chairman, a great conference. We have taken Elmhirst's recipe, we have mixed the ingredients well. Every one of us will be permanently and positively affected by the experience.