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## **Book Reviews**

*Globalisation and the Developing Countries: Emerging Strategies for Rural Development and Poverty Alleviation*, Edited by David Bigman, The International Service for National Agricultural Research, The Hague, The Netherlands and CABI Publishing, Wallingford, Oxon, U.K., 2002. Pp. xv + 336. £25.00.

Globalisation and trade reforms are credited with acceleration of income growth and reduction of poverty in the developing countries. However, there are notable exceptions of the countries in Sub-Saharan Africa, the Middle East and the former Soviet Union who were left out. In fact, the economies of some countries in these regions actually shrank during the 1990s. Even in the countries that gained from globalisation like those in East Asia, economic growth was confined to industrial sector, benefiting mostly urban population, and rural population was often left behind, widening rural-urban disparities. The book under review discusses the different aspects of globalisation process and economic reforms with a focus on the agricultural sector and rural population in the countries that have failed to gain from globalisation. The lessons on the potential adverse impacts of globalisation and the policy reforms required to enable these countries to join the global economy are discussed at a greater length.

The book contains 15 chapters contributed by different experts, besides an introduction and overview by the editor. The contributions are organised in four parts. Part One deals with the pros and cons of globalisation from the perspective of developing countries. In Part Two, globalisation and policy reforms and alternative agricultural development strategies are discussed. Part Three analyses the impacts of changing rules of the trading system on agriculture sector in general and agricultural research in particular. Part Four finally draws implications for the role and mode of operation of the public agricultural research organisations.

The book clearly highlights the strategies available to developing countries to meet the challenges of globalisation. The shift from an “inward” to “outward-oriented” growth strategy requires drastic policy reforms and a well-defined strategy to manage the transition. The growth strategy should recognise the role of technological, institutional and socio-political factors in agricultural development. The strategy should also take into consideration the global adversities like poor access to the markets of developed countries because of high rate of agricultural subsidies offered by them, and also the restrictions on the access to knowledge, material and technology with the implementation of intellectual property rights. Perhaps the most challenging part is the management of shift in the growth strategy. This process entails a balance between sectors (agriculture vs. non-agriculture),

regions and social groups, and identification of the respective roles for the public and private sectors. The experience of East Asian countries has shown that some government interventions will be required to compensate the sections of the society which are adversely affected during the globalisation process. Rising inequalities may eventually lead to formation of different interest groups (of gainers, losers, etc.) often with conflicting interests. The government should therefore compensate the losers, and make the legal system efficient for the resolution of conflicts.

The discussions in country-specific chapters reveal some interesting insights. For example, domestic reforms in India, China and Kenya were taking place even before the globalisation process began and therefore the accelerated economic growth of these countries should not entirely be attributed to globalisation. These countries face the challenges of protecting small holders from the adverse impacts of globalisation. Ghana rationalised tax and currency evaluation to promote cocoa exports, but found it difficult to compete with falling world prices of cocoa. Another important challenge for the developing countries is to meet higher product quality standards in the world market. Although these quality standards should help price discovery and improve competition, these will increase compliance cost for developing countries as these require high capital investments. Also the high standards could be used by a company or developed country as a strategy to protect their trade interests. Therefore, it is suggested that research system should provide technologies to improve and regulate product quality at low cost.

The implications of changing rules of global trading system for agricultural research and emerging roles of public sector research are discussed in detail. The discussion clearly shows that although the globalisation should facilitate cross-country movement of technology, resources and information, concentration is emerging in technology systems. For example, there is concentration in the seed industry in developing countries, resulting in increase in seed prices. This, coupled with increasing focus on commercialisation of public agricultural research will (a) increase the cost of technology, (b) shift research priorities in favour of revenue generating crops and regions, and (c) restrict exchange of material and knowledge among research programmes. These developments will have strong implications for research efficiency and welfare of the resource-poor farmers. Public research organisations should minimise these negative developments, and develop professional expertise to manage intellectual property (IP), especially in use of others' IPs, and protection and transfer of their own IPs.

The authors underscore the continued central role of public sector in agricultural research, albeit with measures to improve its efficiency and effectiveness. A demand-driven and client-centric approach to meet the challenges of globalisation, increase farm income, and enhance sustainability of production systems is advocated. Changing research priorities, measures to improve research capacity, and planning for better targetting of programmes are also spelt out. However, lack of evidence on the investment and human resources, particularly in frontier research areas like

biotechnology, does not permit the readers to assess the resources available vis-à-vis enormity of challenges faced by public agricultural research in developing countries. There are arguments like decline in public spending on agricultural and extension in India (p. 119), which are contrary to available empirical evidence. Notwithstanding this limitation, the book is a valuable contribution to the literature and researchers, research managers and policy makers will find this book useful.

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*Poverty, Vulnerability, and Agricultural Extension: Policy Reforms in a Globalizing World*, Edited by Ian Christoplas and John Farrington, Oxford University Press, New Delhi, 2004. Pp. xiv + 251. Rs. 545.00.

A characteristic feature of many developing countries is their weak agricultural sector with sluggish growth and groaning under a horrendous burden of poverty and unemployment. In the context of relatively more dynamic manufacturing and service sectors in these countries, the weak agricultural sector becomes a major barrier in the overall development and modernisation of these countries. Further, the lagging agricultural sector gives rise to serious rural-urban disparities in income, human development and future development prospects. Agricultural research and extension have to play a major role in any strategy devised to overcome these problems. While the developing countries have a good record in organising and institutionalising agricultural research, extension remains a weak link in the chain connecting the laboratory and research station with producers. Lack of rapport with the producers, low communication skills and inhospitable rural environs in which the extension personnel operate reduce the effectiveness of extension activities as an instrument promoting technological change and modernisation in agriculture. In the absence of reliable feedback from extension, research itself runs the risk of losing the sight of what the producers consider as priority issues for research.

The book under review presents five country studies covering their extension systems and the reforms they need. The countries are: India, Vietnam, Uganda, Nicaragua and Bolivia. The study pleads for a broader approach to analysis of extension systems going beyond the present practice of assessing extension activities chiefly by the yardstick of improvements in productivity resulting from them. The book proposes that the goal of extension systems should be to remove the poverty and vulnerability of vast numbers of agricultural producers who face grim prospects in the emerging era of globalisation. The result is that the agenda of reforms suggested by the book is far wider and ambitious than the agenda underlying the conventional approach focused on productivity improvements. Consider the following concerns expressed in the book based on its broader approach:

“A new agenda for extension - cognisant of the current trajectories of globalisation, yet clearly reflective of the values of supporting the rural livelihood strategies of the poor - requires more than the methodological or organisational fixes that have dominated extension reform efforts in the past. Neither *laissez faire* acceptance of market mechanisms, nor populist participatory schemes will help the poor people...difficult choices and prioritisations must be made....This involves “getting the policies right” - not only agricultural, but also the wider range of rural development policies that impact on the poor in health, education, microfinance, infrastructure, and so on - and forging links between them” (p. 37).

As may be expected, this broader perspective on extension shows that the systems prevailing in the countries covered in the book are quite weak and inadequate. A few highlights are given below:

#### *India*

“Extension reform has yet to become widespread in India... Many of the organisations that are already involved have too narrow a view of extension.... (the broader vision) faces severe and longstanding implementation problems. Given the complexity and intractability of these, a wide-scale transformation of what is still predominantly publicly funded and publicly implemented extension in India is likely to take at least a decade” (pp. 77 and 83).

#### *Vietnam*

The Vietnam study distinguishes between “technology extension” and “livelihood extension”. The focus of the latter is on building “the capacity of the poor to safeguard their interests in relation to market and service institutions--- The lack of appropriate safety nets and insurance systems is a significant constraint with respect to the possibilities of the poor developing their production and livelihood systems.... Attention needs to be given to food security in the remote mountain areas, if people are to regain a willingness to confront the risks of market production.... Attention is concentrated on reducing physical remoteness (of services). Less attention has been given to dealing with social marginalisation, which is more common for the poor in market-integrated areas..... There is need for capacity-building within the extension services to enable them to advise on off-farm production, business development, and micro enterprise of various kinds” (p. 121).

#### *Uganda*

“...(for) creating and supporting opportunity for producers in Uganda, two key risks remain: the chronic insecurity in poorer parts of the country, and the vulnerable position of the national economy in the face of globalisation....Chronic insecurity

will require a positive programme to address the growing inequality in the country” (p.160). The Uganda study stresses the need to change the rules of the globalisation game to help the poor countries vis-à-vis the developed countries.

#### *Nicaragua*

“Transnational economic networks are taking advantage of the withdrawal of the state from isolated rural areas by establishing smuggling, production of narcotics, and other forms of illicit enterprise.... There are heavy economic costs stemming from conflict, criminality, and social disintegration when services are withdrawn...It is only if all three of these actors (government—civil society—donors) take their national policy commitments more seriously, as guides for operational planning, that the current fragmentation can be overcome” (p. 204).

#### *Bolivia*

Bolivia is described as a country having “the largest rural population and the highest percentage of people living below the poverty line (66 per cent in 1997)” compared to other South American countries (p. 210). “Current patterns of spending appear to be having a negligible impact on poor peoples’ livelihoods ...lack of investments in knowledge systems and budget orientation is not expected to change in the near future. There are no indications that the political realities that discourage such investment will change....The critical factor is the lack of state initiative to regulate and promote pro-poor extension activities. There is need for state organisations as well as NGOs to be more proactive” (p. 221).

While the countries covered in the book differ in political regimes and quality of governance, their extension systems are quite weak judged by the criteria of their impact on poverty and vulnerability. Thus, it would be reasonable to consider this finding as applicable to developing countries in general. The sad fact is that the poor in developing countries remain poor and marginalised due primarily to factors internal to these countries with the external factors further aggravating the conditions of the poor. As the editors observe at the end: “These problems (of poverty and vulnerability) can be addressed only in a broad-based and sustainable manner if poverty alleviation becomes a foundation, rather than an add-on, in extension thinking.” (p. 246). At the moment, it would be wishful to expect such a transformation to occur soon or, even, to occur at all. However, it would seem inevitable that persistence of poverty and vulnerability on a mass scale would sooner than later push developing countries to a point where the very sustainability of their growth and the coherence and stability of their societies would come under threat. The book under review is a worthy addition to the growing literature on the crisis of poverty which is already knocking on the doors of the developing countries.

*Select Essays on Indian Economy –Vol.1, (I) Agriculture, Industry and the Economy, II Monetary System and Financial Sectors, Vol.2, (III) Fiscal Sector, (IV) External Sectors*, Edited by C. Rangarajan and R. Kannan, Academic Foundation, New Delhi, 2004. Pp.344 + 334. Rs. 995.00. (per set of two volumes).

The Indian economy is a subject matter of study, research, debate, comments and discussions by eminent economists, research scholars, financial analysts and eminent financial journalists well versed in the economic issues of the day. Dr. C. Rangarajan, who is an eminent professional economist, occupied several responsible positions in the academic world as also in the Government. After working in the academic world for quite sometime, Dr. Rangarajan joined the Reserve Bank of India as a Deputy Governor in 1982 and then became Governor in 1992 and worked in that capacity for a period of five years till 1997.

During his career as a professional economist in the academic world and then as a policy maker in the Reserve Bank of India for more than a decade and half, he wrote several articles in professional journals in India and abroad and delivered several lectures on various aspects of the Indian economy. Both the lectures and the articles are thought provoking and, indeed, analytical in nature.

Dr. R. Kannan, an Executive in Reserve Bank of India, has put together the writings of Dr. Rangarajan, in two volumes titled “Select Essays on Indian Economy”.

Volume One containing 15 essays deals with the issues relating to agriculture, industry, monetary system and financial sector. The second Volume contains 10 essays dealing with the problems of the fiscal sector and the external sector.

Dr. Rangarajan played an important part in formulating monetary and credit policies both as a Deputy Governor and then as Governor. He also laid down the policies relating to the management of the external sector and more particularly the management of the exchange rate system in India. His contribution in this sphere is considered to be seminal. As a policy maker in the field of credit and monetary policies he was essentially a monetarist in the true tradition of the well-known economist, Professor Milton Friedman of the Chicago School of Economics, U.S.A. He gave importance to money supply and its control to maintain and ensure price stability through the control of inflation. He followed the policy of high interest rates to control inflation and this policy introduces recessionary trends in the economy, adversely affecting the growth of the Indian economy. Dr. Rangarajan always pleaded for the independence of the Central Bank from the Government so as to give Reserve Bank of India greater freedom in monetary management. He succeeded partially when the system of automatic monetisation of budgetary deficits was replaced by the system of ways and means advances. Since the Government is the owner of Reserve Bank of India, the Government can always direct the Reserve Bank of India to follow a particular policy in respect of interest rates or the exchange rates.

Dr. Rangarajan initiated the policy of financial liberalisation in the financial sector to bring about the integration of the Indian economy with the global economy. However financial liberalisation has led to certain problems in the Indian economy. Dr. Y.V. Reddy, Governor, Reserve Bank of India recently said that the current economic situation represents and reflects stable disequilibrium. According to Dr. Reddy, development everyday add to the potential for disequilibrium, though the situation is stable, but, there is every possibility that we experience a lull before the storm. Such developments or suspicion that they may occur can certainly undermine the confidence of the financial investors in the economy. Secondly, our foreign exchange reserves are rising day by day. But we do not know how to use foreign exchange reserves for growth and development. Our savings rate is increasing. It is today standing at 29 per cent of gross domestic product. But we do not know how to use these for generating investments, income or employment.

The essays on the Indian economy included in the two volumes are research-oriented, analytical and indeed thought provoking. Dr. Kannan has done a signal service to the students of economics, banking and finance who would benefit from them and help them in their further research in the areas covered in these two volumes. The essays would be useful not only to the students of banking and finance but also to policy makers in Reserve Bank of India in the Ministry of Finance.

Those persons who are busy and are not able to find time to read the two volumes should go through the comprehensive and detailed introduction written by Dr. R. Kannan. All credit to Dr. Kannan for bringing out the important writings of Dr. Rangarajan.

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R.D. Pandya

*Agriculture, Food Security, Poverty and Environment: Essays on Post-Reform India,*  
C.H. Hanumantha Rao, Oxford University Press, New Delhi. 2005. Pp. xvii +  
334. Rs. 625.00.

India introduced economic reforms rather later in the day compared to South East Asia and China but managed to raise more dust than other countries. This needed some one to review the whole experience and show clearly as to what exactly has happened, with what effect and why. One of our foremost economists, Professor C.H. Hanumantha Rao, has filled this role admirably with this book. There is nothing much strikingly new in what he shows, but he has presented a clear, coherent and comprehensive account, which is also insightful and lucid.

It is difficult to give a summary view of the vast area that he has covered. I shall take up only a few salient points. Taking his own framework, his discussion relates to how the economic reforms have covered agriculture, food security, poverty and environment. As a preamble to this discussion, it is well to point to the distinction he makes between structural change and structural adjustment. Our early efforts up to



even the 1970s intended to usher in equitable access to land through land reforms, equitable access to credit through credit reforms, and to enable an entry into the mainstream of development for deprived communities and regions. All this meant 'structural change' of not only the economy, but also of the polity and society. One suspects if 'structural adjustment' was more to bypass structural change to reduce poverty and achieve development, or a logical sequel to it. The term 'adjustment' in India (especially in Bangalore) is very popular even among the least educated. What they mean is 'compromise'. Structural adjustment then looks like a compromise with market, done with the hope that even if structural change could not be achieved, structural adjustment would succeed in accelerating development and eliminating poverty. Will it really? Tao makes it clear that South East Asian countries and even China succeeded in accelerating growth and eliminating poverty, not just because of liberalisation but also because of their earlier successful efforts in land reforms, universalisation of primary education, and infrastructure development. In India, we put the cart before the horse in this regard.

Rao, however, strikes an overall note of optimism, but being a scholar that he is, he expresses only an abundantly cautious and qualified optimism. An important ground of optimism is that India is a big integrated national market, which is a great advantage in accelerating growth, with free movement of goods, services, finance, knowledge and technology. We may also note a second ground for optimism in that India is a democracy, which in spite of short-term problems, is a long-term advantage. Democracy ensures a long run political and institutional sustainability, which non-democratic countries cannot have. With these advantages, it is upto us to get the best out of our opening to the world economy.

With special reference to agriculture and food security, Rao observes that though per capita demand for foodgrains has declined, it has to do more with diversification of food consumption. Food security should not be confused with foodgrain security, he says. Continuous increase in procurement prices which has accompanied declining per capita demand for foodgrains, has more to do with vote bank politics and political power of the farmers than with the need to provide food security. Though, however, our food stocks are embarrassingly large, they give us the confidence that we can tide over any drought without having to import foodgrains. They also provide us resources to carry out anti-poverty programmes. Rao feels that trade liberalisation in agriculture will not endanger food security.

He also notes that though private investment in agriculture has attained autonomy of its own and does not any longer depend on public investment, public investment in agriculture – particularly in irrigation and infrastructure – is crucial in stepping up and diversifying agricultural development. It will also help in improving the competitiveness of Indian agriculture in a more globalised setting. Agricultural development will continue to play an important role for some more time both in contributing to overall gross national product (GNP) growth and in reducing poverty. He regrets that agriculture slipped lower in the national agenda since the 1990s,

which is not good both for growth and anti-poverty measures. Rao also clarifies that it is not in India's interest to fight within WTO for greater domestic support to agriculture, and it will be to India's advantage to have greater competition and fairness in world agricultural trade. Rao cautions, however, that worldwide liberalisation of agricultural trade is likely to be less than what is expected under Uruguay Round agreements. Developed countries have fallen short of actually reducing agricultural protection.

As to the impact of economic reforms on poverty, Rao observes that the overall impact in India has not been as adverse as in Latin American countries and sub-Saharan Africa, but at the same time it has not been as favourable as in the East Asian countries. The full impact of economic reforms both on growth and poverty is, however, yet to be felt, according to Rao (p.188). Efficiency considerations need not conflict with equity considerations any more, as they are complementary (p.185). It is not explicit from Rao's account as to why the impact of economic reforms on poverty in Latin American and sub-Saharan countries was adverse and why it was favourable in East Asian countries. By implication, it is clear, however, that it could be because 'structural changes' (as referred above) were successfully carried out in East Asian countries resulting in a much more equitable society than in Latin American and sub-Saharan countries. Where does India fit? Somewhere in between them obviously, but is it (hopefully) closer to East Asian countries? We have already missed the bus of land reforms that may never come again (see my review article in *IJAE*, Vol.57, No.4, October-December, 2002, pp. 751-761). What is more, we are also not quite confident that our growth has been job creating for the poor. Our elitist consumerism, the major outcome of fast growth, has not been very much job creating for the poor. Rao points out that the growth of employment in rural areas has declined from 2.5 per cent per annum during 1970s to 1.7 per cent over the 1980s and further to a mere 0.5 per cent in the 1990s (p.213). Our major hope now is to tap the resources created by growth, including large foodgrain stocks, for programmes to directly alleviate, or even to remove poverty. Rao regrets the relative decline in public expenditure on social sectors like health and education. Stepping up this expenditure can have a favourable impact both on growth and poverty reduction, which is as powerful- or probably more – than the impact of public investment in agriculture and infrastructure development. However an environment of obsession with reducing budget deficits rather than poverty, dampens the enthusiasm for such desirable measures. It is here that ours being a democracy gives hope. A democracy is likely to give more importance to the goal of poverty reduction than to containing budget deficits.

Rao has done well in not neglecting the environmental dimension. While he has praised the East Asian countries' performance on growth and poverty fronts, he deplores it on environmental grounds. If the quality of environment, and with it the quality of life decline, neither growth nor poverty removal can be sustainable. Indian agriculture development has also not been environmentally sound, even before the

goal of poverty removal is achieved. We cannot have any consolation that our growth has at least removed poverty, even if it has harmed environment. However, sustainable agricultural development will have a favourable impact both on poverty and environment. This requires not merely improvement in our technologies used for development in an eco-friendly direction, but also institutional innovations like water users' associations to economise on water. Reforms in tax-and-subsidy regime are also urgent such that any incentive for waste and pollution is removed.

A readable and rewarding book! More so, because of the insights from the comparative experience from other countries. Rao has rendered a useful service to the country by writing this book.

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