The Australian Journal of Agricultural and Resource Economics, 47:2, pp. 275–279

Ag econ angst crisis revisited: a rejoinder

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Poverty reduction has been an underlying goal of governments and the development community since the Second World War, but it was the 1973 Nairobi address of Robert S. McNamara, then President of the World Bank, that created a new commitment to directly address poverty reduction in the quest for development (McNamara 1973). More than half a century after the war and close to 30 years after Robert McNamara's speech, poverty is still rampant in many parts of the globe. Reflections on why this scourge remains, and what we as agricultural economists can do about it, were the driving forces behind our paper with the late John L. Dillon entitled 'Agricultural economists and world poverty: progress and prospects' (Rola-Rubzen *et al.* 2001). The part of our paper that Johnson, Rossmiller and Sandiford-Rossmiller (JRS) have reacted to was deliberately provocative to stimulate thinking on ways to combat poverty. We are pleased that someone has taken the bait. As the two surviving authors, we find ourselves in agreement with much that JRS have written. However, in preparing this rejoinder we have sadly missed John Dillon, especially his broad international experience. We note that in several respects JRS amplify and support some of our points, as well as adding a new perspective of their own, dealing with the new institutional economics. We find it hard to work out just where they differ from us.

1. Fads and fancies in development

As noted in Rola-Rubzen *et al.* (2001) (referred to hereafter, as RHD), development strategies have proliferated over the past half century. During the early postwar years, as nations tried to rebuild the destruction wrought by the war, the dominant goal was to maximize gross national product and the strategy was primarily one of pursuing growth. The view that prevailed at that time was that the 'trickle-down' mechanism would solve the poverty and income distribution problems if the economy grew fast enough (Lewis 1963; Morawetz 1978). The strategy of rapid economic growth was soon followed by a shift in development thinking to growth with equity as opposed to growth alone (Chenery *et al.* 1979). Then came the period of structural adjustment, after which the focus turned to sustainable development and then to people empowerment. The rapidity of shifts in strategies is well

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documented in the published literature (see e.g., Hyden 1990; Simmonds 1991; Easterly and Levine 1995; Delgado 1997; World Bank 1997; Easterly 2001). For certain, these constant shifts in development strategies are a result of the quest for the magic cure, but unfortunately the result has been a burgeoning of fads and fancies in development thinking which, as we argued in RHD, too often has diverted scarce resources from broad-scale poverty reduction. This much seems to be agreed by Johnson, Rossmiller and Sandiford-Rossmiller (JRS).

The main criticism by JRS seems to be that we have assigned causation when only correlation exists, and that we have cause and effect reversed in attributing the burgeoning fads and fancies in development efforts to the disaffection with our profession. That seems to be a matter of opinion and they may well be partly right. We believe that this is probably a case of 'circular and cumulative causation', rather than a one-way effect, but it is hard to see how any empirical evidence could be brought to bear to prove who is right.

The facts of the matter, as JRS say, is that development agencies have been guilty of a 'flavour of the month' approach to development assistance, and that many of these fads and fancies have been ineffective in reducing poverty on a broad scale. In the main part of our paper we argued that, in most less-developed countries, the best way to tackle poverty is by broad-based rural development – and JRS do not take issue with this. The fact that so many other 'quick fix' solutions have been tried, inevitably means that rural development has been down-played and agricultural economists have been sidelined. We agree that this is partly the fault of our profession in not communicating more effectively, as indeed we argued in the original paper.

2. On the role of agricultural economists

Johnson, Rossmiller and Sandiford-Rossmiller disagree with our statement that 'agricultural economists seem to have largely convinced each other that we know what to do to get agriculture moving and poverty reduced'. It is a matter of perception as to whether there is a consensus among agricultural development economists about what to do, so JRS are entitled to disagree. However, by our statement we did not mean to imply that we have got all of the answers right. Our point, perhaps not well made in the original paper, was that we were failing as a profession to communicate our ideas to key decision makers in development agencies. Here too, therefore, we find ourselves in agreement with JRS when they write that agricultural economists have no 'right' to be consulted, but need to earn the privilege. We believe that decisions are increasingly being made without taking economic aspects into consideration. Stiglitz (2002, p. xiii) observed that policy decisions in the International Monetary Fund (IMF) were often made 'on the basis of what seemed a curious blend of ideology and bad economics, dogma that sometimes seemed to be thinly veiling special interests'. The problem with fads and fancies is that they often result in prescriptions that not only do not make economic sense, but are detrimental to the poor. Again, as Stiglitz says, economics may seem like a dry esoteric subject, but in fact, good economic policies have the power to change the lives of the poor.

As JRS note, there is a difficulty in terminology in drawing a distinction between 'macro' and 'micro' level work by agricultural economists, with the result that we were not as clear as we should have been about what we meant. We think we have a pretty good idea about what agricultural economists do. Our point was that the distinguishing feature of our profession was the more than nodding acquaintance that many agricultural economists have with the realities 'down on the farm' gives them a special edge when dealing with broader sector policy issues. Of course, agricultural economists dealing with policy need to understand the macroeconomic aspects, and of course our profession should not be maligned for stabilisation and liberalisation policies of which we were not authors. But our point was that the conspicuous failures of these policies led to all economists being tarred with the same brush.

3. Are free markets the key?

Johnson, Rossmiller and Sandiford-Rossmiller suggested that we were over reacting to the earlier harsh and unbending market-orientated solutions imposed as 'conditionalities' by the World Bank and IMF, when we argued for economists to pay more attention to market failure and missing markets rather than always opting for market solutions. But experience has shown that free-market fervour in the 1980s, with the consequent structural adjustment policies and accompanying conditionalities imposed by international lenders, led to massive unemployment and steep rises in poverty incidence in many developing countries.

Johnson, Rossmiller and Sandiford-Rossmiller warned about not giving up on free-market orientation. We agree that to stray too far from market orientation can be dangerous – just as dangerous as pinning too much faith on markets to fix everything. The difficult thing is to know, in a particular context, what is best left to the market and what needs government intervention. If the new institutional economics (NIE) approach helps answer these questions it will indeed be a big advance. The interesting question is, if the ideas in the NIE approach are indeed so powerful, why have they only now come to the fore? The importance of transaction costs has always been recognised by agricultural development economists who had their feet on the ground. Those of our profession who have spent time talking, say, to farmers in the highlands of Papua New Guinea where it is a 3-day march to the nearest road, or to farmers in the Philippines who face huge administrative hurdles and delays to get credit, or to the Bangladeshi padi grower who is at the end of a long unsealed track that is barely trafficable even in the dry season, know all about transaction costs. We appreciate the need for both infrastructure development and institutional reform – points that again were raised in the RHD paper.

4. Effective aid

Accusing us of looking at the foreign aid process in agricultural development from a traditional neoclassical viewpoint, JRS place more emphasis on the policy environment and institutional circumstances. We made the same point, although without the detail provided by JRS. We are glad for their amplification of the point.

That aid can be a powerful instrument for poverty alleviation is not in contention. But, as history shows, aid itself does not denote the end of poverty. While the results are mixed, experience shows that aid works when the proper environment and conditions exist (Dollar & Pritchett 1998). This environment includes identification of appropriate projects, good governance, transparency and accountability, and a good macroeconomic environment that promotes growth, and commitment by donors and donees, among other things. We agree that successful aid requires careful planning and monitoring, and ensuring that aid is utilised for projects that are in line with the recipient country's development goals.

Where these conditions are not good (e.g. where corruption is rampant or where projects are poorly planned), aid is likely to fail. The failure of aid in some countries is perhaps one of the reasons why some donor governments have become less enthusiastic in their responses to calls for increasing (or at least maintaining current levels of) foreign aid. In so far as development efforts in some countries (e.g. in Sub-Saharan Africa) are highly dependent on the flow of aid, such attitudes may set back the fight against poverty.

5. Final comments

Johnson, Rossmiller and Sandiford-Rossmiller argue that it is only through institutional reform that real development through economic growth can occur. We recognise the importance of institutional reform, but we maintain that mass poverty alleviation can only be achieved through broad-based rural development, which in turn requires a range of ingredients as set out in RHD. Experience shows that there is no ‘magic bullet’ so we do not accept that the NIE alone will be a cure-all. The approach will be valuable if it contributes new insights into how to get broad-based rural development happening in places where most of the poor of the world live. If it does not, it will be just another fad. We are optimistic, but time will tell.

Finally, we note that JRS rather ambitiously claim that their comment establishes ‘the basis for strengthening the role of the agricultural economist in the work of development assistance’. We are pleased that we provoked them into making this contribution and we hope that their optimism is justified. After all, we are all fighting the same battle – the elimination of poverty.

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