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Agriculture in a Turbulent World Economy: Proceedings of the Nineteenth International Conference of Agricultural Economists

Reviewed by Thomas L. Vollrath

Allen Maunder and Ulf Renborg (eds) Aldershot, England Gower Publishing Co , 1985, 820 pp , $55 95

I find evidence, in this proceedings volume, that the scientific community of agricultural economists has made substantial progress toward understanding the underlying forces affecting global agriculture As a result, we are becoming better equipped to diagnose problems of change and to analyze more thoroughly issues of growth and equity

Sen, in his keynote address, discusses some broad questions about the economics of food and hunger and their policy implications He warns against the use of "instant economics" when one formulates policies addressing the terrible problem of hunger and starvation affecting millions Instant economics involves shortcuts in economic reasoning associated with the "opinions of practical people " A contemporary example is the "Malthusian optimism" whereby public concern about the food problem virtually vanished following the 1974 World Food Conference because global food output was shown to have outpaced world population Sen notes that, although food output per capita has increased since then, hunger in some parts of the world has intensified As an alternative to instant economics, the author advocates analyses of entitlements in studying food and hunger

Sen relates entitlements to "acquirement," the ability to establish command over commodities based on original endowments and the "network of exchange" mappings involving production and trade Asserting that the entitlement approach is consistent with old traditions in economics, he contends that Adam Smith would not have been either for or against intervention in the event of famine Smith would instead have examined the issue of cash relief versus direct food relief

Just as Sen denigrates instant economics, he applauds the wisdom of early economists such as Smith, Ricardo, and Marx who provided superior economic analyses and policy prescriptions about food and hunger problems But what about the modern day economist? Does Sen's advocacy of the entitlement approach and his omission of any citations from the contemporary literature suggest a dim view of the current state of the economics profession?

In his paper examining the problem of malnourishment, Srinivasan comments about the difficulty of quantifying undernutrition Instant economics would suggest that additional resources be allocated to obtain a better understanding of the extent and distribution of undernutrition But, Srinivasan notes that, however well-defined the occurrence of undernutrition may be, its principal cause is poverty The obvious implication is that the problem of malnournishment would be served best if analytical resources were used to examine the poverty issue Srinivasan underscores Sen's view of the crucial role of sound economic analysis by referring to the tragedy in Africa where misguided public policies distorted producer incentives, aggravating the food and hunger problem

Mellor, dealing with the uncertainty of growing food imbalances, points out that commercial shipments of food to developing countries help the development process because of the powerful and beneficial effects of the international market He asserts, contrary to popular logic, that poverty is actually being reduced because of imbalances in demand and supply and because of the greater openness to agricultural trade Mellor, however, is not willing to rely on simple prescriptions Recognizing that the poor are not always able to retain food entitlements, he examines ways in which food aid can be used to deal with the hunger problem when the market system fails Mellor's approach to the food and hunger problem is similar to that of Adam Smith, which Sen views so favorably Neither Smith nor Mellor would be willing to rely exclusively on the *laissez-faire* solution Both view the critical issue as being not whether to intervene but rather how food assistance can best be used to reduce the unacceptable human condition of hunger

Even economic model builders are aware of failure of food markets when it comes to the financially deprived

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Fischer and others have engaged in global simulations linking national economic models They find that agricultural markets, while performing well for most people, do not function well for the hungry Hunger is stubborn It does not go away under the widely different scenarios examined in their study

We can achieve food security either by becoming self-sufficient through increased production or by relying on the market, exchanging commodities as determined by comparative advantage DeJanvry's preferred strategy is a mix of both approaches He believes that open market prices are best used to serve as guides for the efficient allocation of resoures, but within an institutional context molded by structural interventions According to deJanvry, additional policy instruments, such as land reform, new technology, and infrastructural investments, provide the means to "elasticize" the market response of the economically disenfranchised

But well-intentioned government regulations and reforms can go awry Commenting about economic forces shaping the future in South and Southeast Asia, Hayami contends that " direct importation of policies from the developed countries without due recognition of major differences in underlying economic forces and in social and institutional environments is often counterproductive " He notes, for example, that prohibition of usury has resulted in the rich receiving a disporportionate share of subsidized institutional credit, that minimum wage laws induced a shift away from labor-intensive to labor-extensive crops, and that rent control resulted in the eviction of tenants to establish landlords' direct management These examples suggest that it is important not to rely on superficial economic reasoning This viewpoint is entirely consistent with the spirit of the entitlement approach

Macroeconomic, sector, and target interventions provide a variety of ways for policymakers to alter market outcomes It is important, therefore, to gain a better understanding of the consequences of proposed actions to avoid simple policy prescriptions that lead to unintended and undesirable ramifications

In his paper on exchange rates and trade policy, Valdes looks at linkages between macro and sector policies that decisionmakers often ignore He sensitizes us to the importance of recognizing, for instance, that import barriers lower the value of the exchange rate, implicitly taxing domestically produced exports An implication is that developing countries that promote industrialization by erecting tariffs or by establishing quantitative import restrictions are, in effect, reducing incentives to their producers of agricultural exports and raising domestic consumer incentives to purchase agricultural imports

Rausser and others examine the issue of instability in agricultural markets They note that prices of nontraded commodities are "sticky" compared with traded commodities, which are subject to global competitive forces The implication of this fixed, flexed price dichotomy is that changes in macroeconomic policies can induce externalities If, for example, the monetary authorities increase the money supply or lower interest rates, the exchange rate depreciates, raising (lowering) the domestic price of exportables (importables) relative to other goods produced in the economy Therefore, price swings for food, in developing countries reliant on international agricultural trade, may be wider than price swings for nontraded commodities

The proceedings issue of the 1985 International Association of Agriculture Economists meetings held at Malaga, Spain, contains a wealth of information about the often subtle, but significant, consequences of proposed action Review of a small sampling of articles suggests that contemporary economists are not only acutely aware of food, hunger, and economic problems confronting world agriculture, but they are gaining an increasingly better understanding of the important forces that shape them I hope this volume will receive a reception among decisionmakers, as it contains valuable source material needed to formulate sound policy

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