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Book review

Transforming agrarian economies

Transforming Agrarian Economies: Opportunities Seized, Opportunities Missed, Thomas Tomich, Peter Kilby and Bruce Johnston, Cornell University Press, Ithaca, NY, USA, 1995, xx + 474 pp., US\$25.00, ISBN 0-8014-8245-3.

The definitive argument in favor of a unimodal strategy for agricultural development has finally been published. Over a decade in the works, this volume by Thomas Tomich, Peter Kilby and Bruce Johnston unabashedly advocates a broad-based, labor-using, land-saving approach to raising agricultural productivity, rural wages and, along the way, the rate of economic growth.

To focus their analysis, the authors invoke a critical structural characteristic of poor countries, the large share of the workforce engaged in agricultural pursuits. These Countries with Abundant Rural Labor, or CARLs, are distinguished by having more than half their labor working in the agricultural sector, and have thus failed to reach the first important ‘turning point’ in the structural transformation. Widespread poverty and hunger remain as important problems for public policy in the CARLs, and the authors argue that a unimodal approach to agricultural development is the only way to solve these problems in a reasonable period of time. This extensive book—474 pages, including 834 references—explains why and, to some extent, how.

The greater attention to why the unimodal approach is appropriate, rather than how to implement it, stems from the use of an unusual conceptual theme to tie together their descriptive, analytical, and historical chapters, the ‘strategic notion’. Although

the authors explicitly state that strategic notions are unobservable and non-quantifiable (p. 85), they dismiss the problem as unavoidable in their effort to show that vague ideas and intuition, ideologies, and what applied economists call ‘priors’, are the critical determinant in how opportunities for appropriate policy change are ‘seized’ or ‘missed’ in the terminology of the book’s subtitle. Much of the book is devoted to showing that most policy makers in the developing world, especially in the remaining CARLs, have the wrong strategic notions about the efficacy (much less the efficiency) of a broad-based agricultural development strategy that raises productivity on small farms.

The book has 12 chapters divided among three parts. In the first part, the authors explain the role of the rural economy in the development process, with chapters on poverty and the rural economy, the structural transformation, and an extensive historical discussion comparing the structural transformation of Japan and the United States from CARLs to post-industrial societies (although to argue that rural labor in the United States was ever ‘abundant’ in the sense implied in the rest of the book stretches the definition considerably). Part 1 of the book contains the crucial core of the story, because it explains the importance of agrarian structure-size distribution of operating units in farming, share of labor engaged in the rural economy, population growth and age distribution, and so on—to the appropriate strategic approach required to make rapid progress against poverty and hunger.

Part 2, “From Structure to Strategy”, develops this theme in a sequence of five chapters that starts with the potential role of small farms in a broad-based

agricultural strategy, moves to a defense of a unimodal agrarian structure in the chapter on "Agricultural Strategies and Agrarian Structure", and then extends the analysis to the "Links between Agriculture and Industry", where the argument for a unimodal structure is shown to apply to the rural non-farm sector. The last two chapters in Part 2 do not fit so neatly into the book's structure, but they are important pieces of the story nonetheless (and they had to go somewhere!). The chapter on "Fertilizer Production: Strategic Pitfall?" has the awkward task of demonstrating (conclusively, as it turns out) that CARLs should import their fertilizer, despite the fact that it is the most important purchased input into high-yield farming and thus would seem to offer the most potential for stimulating backward linkages. However, the chapter demonstrates quite persuasively that, because of the capital intensity of efficient production techniques, CARLs do not have a comparative advantage in fertilizer production (especially nitrogen fertilizers), although some allowance for country size is made for India and China. Indonesia's remarkably successful fertilizer strategy is acknowledged as 'the exception that proves the rule', whatever that means.

The final chapter in Part 2 is on "Fiscal Balance and Social Program Priorities". Economic stability is defined as a public good with important contributions to investment and economic growth. This approach justifies the stress on fiscal balance as the major task of government, which leads to the now standard conclusion that government activities should be limited only to those tasks the market cannot carry out—that is, to the provision of public goods. However, in the discussion of priorities for social programs, education and health are included as government tasks, while food programs are dismissed because food "is a private, not a public good" (p. 271). The logical distinction being drawn across the three categories—education, health, and food—is not nearly as clear as the authors assert. What really drives the distinction, I suspect, is the different political economy of the three sectors, with food subsidies having the clear and demonstrated potential to be extremely popular politically and devastatingly expensive to the budget.

The rather blunt bludgeon used on food subsidies is somewhat surprising in view of the authors' strong

concern for economic stability. In CARLs, where half of household expenditures are often devoted to food, the most *destabilizing* economic force in the short run is usually rapid changes in food prices. Stabilizing food prices as a major element of building food security at the macro level can have as large an economic payoff as investments in rural health facilities or primary schools, and stabilization programs inevitably require public subsidies if they are to be run efficiently.

Still, there should be little quarrel with priorities that start with rural infrastructure, and then move to primary education and rural health clinics and preventive measures for public health. It is important to realize that there is a demand side to utilization of these investments, which requires a broad-based increase in rural incomes, as well as the supply-side dimension involving public expenditures. This demand element is a further argument for a unimodal approach to agricultural development.

Part 3 of the volume is devoted to three pairs of case studies and a final chapter on "Getting Priorities Right". Two of the pairings are rather strange: Taiwan and Mexico, and the USSR and China. The comparison of Kenya and Tanzania, by contrast, offers many insights because of the similarity of setting and colonial history. Granting that the other four countries have interesting histories and contrasting experiences with agricultural development, little is made of their juxtaposition because of such diverse backgrounds. More effective comparisons might have been made of Taiwan and the Philippines (which seemed to offer more hope for rapid development in the 1950s than either Taiwan or South Korea); of Chile with Mexico, of Russia (or the former USSR) with the United States, of China with India, and of Japan with Indonesia or Thailand. In 1880, both of these Southeast Asian countries had per capita income similar to that of Japan, and thus started the twentieth century with roughly similar technology and degrees of poverty.

Evaluating such a large, complex, and authoritative volume in a short review is an impossible task. The main goal has been to give a flavor of what the book sets out to do. The authors are quite convincing in their argument for a broad-based development strategy in terms of its welfare impact and economic efficiency. The volume is much less persuasive about

the feasibility of such a strategy in the political economies of CARLs. Indeed, this reviewer came away quite discouraged about the prospects for 'getting agriculture moving' in these countries in ways that would vitalize small farms and the labor-intensive rural economy. 'Strategic notions' are too amorphous as an analytical handle to influence policy debates. Thus, following the authors' logic, to change the direction of policy will require an entirely new generation of leaders trained under the current development paradigm, which focuses on markets and trade as the main vehicles of economic growth.

In fact, this pessimism is probably ill-founded, based as it is on reviewing a volume that is set rather firmly in the literature of the 1970s and 1980s (only 13.4% of the 834 references have publication dates after 1989) and little influenced by the revolution in open-economy policy orientation, exciting microeco-

nomic innovations in understanding decision-making in the types of households found widely throughout CARLs, and the utter disrepute into which socialist economics has fallen. These three sea changes augur well for the vast majority of the population of CARLs, living as they do in Bangladesh, China, India, Indonesia, and Pakistan (these five countries alone account for 77% of the population of the 58 countries defined as CARLs by the authors). The prospects for Africa, a continent containing 39 of the 58 CARLs, are highlighted in the case studies on Kenya and Tanzania, and do not appear to be nearly so promising.

C. PETER TIMMER
*Harvard University and
National University of Singapore*

