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Book reviews

Tree planting in the developing world

Planting Tree in the Developing World: A Sociology of International Organizations by Steven R. Brechin. John Hopkins University Press, Baltimore, 1997, 254 pp. US\$ 48.50, ISBN 0-9018-5439-3.

One of the disadvantages of the proliferation of literature in agricultural economics is that it may discourage us from looking at publications outside our discipline. Yet most of the problems we deal with are interdisciplinary in nature and integrating the perspectives of different disciplines is critical to solving them. Steven Brechin's book addresses a question that we all frequently wonder about but rarely examine analytically: why do those large (and small) international organizations behave as they do? We economists may be able to explain a lot of the behavior of individuals and firms in the marketplace. But when it comes to international organizations and their activities, we become anecdotal and at times philosophical, scratching our heads and blaming largeness or bureaucracy for their shortcomings, with as much insight as the politician who blames greedy middlemen for the problems of farmers.

Brechin focuses on the performance of three organizations, the World Bank, FAO, and CARE USA, in the area of community forestry. Do not let your lack of interest in trees keep you from going further – this book is really about the performance of these institutions in tackling rural development and poverty alleviation. All three organizations adopted community forestry at about the same time, and Brechin systematically assesses why they responded so differently to the challenge and why their level of success varied so much. By better understanding the workings and nature of the three organizations, 'people in the field

will be better able to understand how the interventions of the three organizations will affect (or fail to affect) what is happening on the ground (p. xii).'

This book includes an introduction and six chapters. There is a chapter on each of the three organizations, followed by a comparative chapter entitled 'Patterns in the Forestry Programs: A Descriptive Account.' The fifth chapter, 'Examining Organizational Behavior,' explains behavior as a function of differing organizational technologies, structures, and task environments. It also includes a final section entitled 'Policy Prescriptions and Other Musings', which unfortunately, is very brief with only eight pages. The last chapter addresses theoretical considerations contributing to a sociology of international organizations.

This book has several highly commendable attributes. First, it is very user friendly, or I should say, economist-friendly. Jargon is minimal (pity the poor sociologist who opens an economics book), though be forewarned, do not ignore the endnotes as some key definitions lie therein. Second, main findings are summarized in very readable charts, which are used to compare such aspects as the three organizations' characteristics, structures, core technologies, environments, organizational niches and performance. Third, summaries at the end of each chapter highlight salient discussion.

Further, the author very astutely treats all three organizations with kid gloves – after all, do we really need another critique of the World Bank's policies concerning the environment and the small-scale farmer? In fact, nearly all of the critical statements made about the Bank are from the Bank's own documents and evaluations. After all, Brechin did not write this book to criticize these organizations; he wrote it to help them, and us, understand why they perform as they do and to understand what about their makeup has contributed to their performance. In fact, he helps us

see that the donors, or terms fixed by them, are often responsible for the problems that these organizations are blamed for, for example, the dominance of traditional forestry in FAO.

One exception to the very constructive discussion that prevails in this book is the rather flippant title of Chapter 1: 'Using Trees to Move Money: The World Bank.' It is especially ironic because, as the author shows, community forestry is a very inefficient way to move money and that is why the Bank does relatively little of it. Fortunately, the tone of the chapter title does not reflect the serious and constructive analysis contained in the chapter.

CARE comes out with the brightest track record in community forestry, because of its decentralized decision making procedures, its flexible project proposals, its willingness to make major changes, such as withdrawing from a country or discarding a failed approach, and its focus on people and communities, not governments. But the recommendations to the other organizations are not that they should become more like CARE. Rather, they should more clearly recognize their own strengths and weaknesses, take on tasks most suited to them, and form partnerships with organizations that have complementary strengths when they want to work in an area in which they by themselves do not have a comparative advantage. For example, some CARE projects fail because of poor government support and inappropriate government policies. CARE has little influence in policy circles, but the World Bank and FAO do. More partnerships between large international organizations and NGOs to coordinate a bottom-up and a top-down approach could lead to more effective development projects and programs.

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Development economics

Development Economics: From the Poverty to the Wealth of Nations by Yujiro Hayami. Clarendon

Press, Oxford, 1997, 306 pp. US\$ 75.00, ISBN 0-19-829207-4.

This new treatise on development economics asks: why has a small set of countries achieved affluence, while the majority remain poor and stagnant? Professor Hayami argues that countries differ in their ability to develop and adopt advanced technology; moreover, most low-income countries find it difficult to prepare the appropriate institutions for borrowing advanced technology under their social and cultural constraints.

This answer should not be surprising, coming from the leading proponent of the theory of induced innovation, the unifying theme of this book. Its scope is ambitious: ranging from the classical economists to growth accounting, inequality, and contemporary debates on structural adjustment and environmental issues. Since the book draws on a variety of disciplines, economists and non-economists alike can learn much from it. It would be an excellent textbook in development economics (with optional sections for the technically-inclined). Key concepts are illustrated with detailed examples drawn mostly from the East Asian development experience and Professor Hayami's field studies in Asia.

Chapter 1 provides a theoretical framework for economic development, drawing on a model of dialectic social development and the theory of induced innovation. Chapter 2 provides cross-country evidence on growth, investment, saving, and human capital accumulation. Chapters 3 and 4 examine the relationship between population growth and natural resources, and how science-based agricultural and induced innovation may relax the natural resource constraint. Chapters 5 and 6 deal with capital accumulation and technological progress; these are a good review of economic growth theories and actual historical performance.

Chapter 7, 8 and 9 on inequality and the environment, the role of market and state, and the role of the community, respectively, are more controversial, but this is where the book's contribution is greatest. Chapter 10 concludes with a remark on tradition and modernization based on the Japanese experience.

The chapters on growth accounting and capital accumulation set the stage for the analysis of growth paths which are conducive to a more equal income distribution. An important finding from the growth

accounting studies on Western economies is the substantial proportion of economic growth which is due to total factor productivity growth rather than growth in inputs. This ‘Kuznets-type’ growth path is predominantly dependent on technological change rather than capital accumulation, resulting in decreases in the capital-labor ratio, in contrast to earlier periods of capital-intensive industrialization of both mature economies and late-industrializing countries. Hayami argues that shifting from the capital-intensive Marx-type growth path to a Kuznets-type path will be crucial not only for sustained growth, but also for a more equitable income distribution.

The ‘inverted U-shaped’ relationship between per capita income and inequality is one of the empirical regularities observed in economic growth. The early phases of industrialization and economic growth are characterized by increasing inequality: the rising capital-labor ratio combined with labor surplus conditions creates dualism and a widening income differential between the agricultural and nonagricultural sectors. Similarly, increased environmental degradation may be common in countries in the early phases of industrialization with pollution control measures adopted only at a higher per capita income level. By graphing carbon dioxide emissions and commercial energy consumption vis-a-vis per capita GNP, Hayami treats environmental costs as he does inequality, suggesting that an inverted U-shaped curve characterizes the relationship between environmental degradation and economic growth. He argues that environmental problems are especially acute in developing countries because changes in technology and institutions have lagged behind changes in natural resource endowments. Poverty and the high rates of discount of future income and consumption among the poor imply that people would rather use scarce resources now instead of conserving them for future use. While the assignment of property rights on environmental resources by allocating tradable emission permits among firms and households and appropriate Pigovian tax and subsidy policies are possible solutions, the current debate on global warming warns us that applying the Pigovian scheme on a worldwide scale may be politically infeasible.

Professor Hayami addresses the balance between market and state in Chapter 8, an issue most widely debated in the context of free trade versus protection-

ism. He astutely avoids the mistake of attributing the East Asian economic ‘miracle’ solely to market liberalism. Instead, he argues that Japan, South Korea, Taiwan, Hong Kong, and Singapore had a strong government instead of an inefficient import-substituting industrialization strategy. The likelihood of government failure was minimized due to the highly organized and politically independent bureaucracy, social homogeneity, high levels of education, and the Confucian ethic, which may have discouraged bureaucrats and elected officials from committing moral hazard.

Despite the successes of the developmental catch-up model in East Asia, however, Hayami cautions against adherence to the same development paradigm. Indeed, the emerging new paradigm suggests that government should limit itself to macroeconomic management and the supply of public goods, with other activities left to the private sector and the free market. While it is too early to evaluate the success of structural adjustment policies which embody this new paradigm, Hayami warns that in poor countries characterized by imperfect information, high transactions costs, and low levels of education, the market is not only likely to fail, but the incidence of government failures is likely to be even larger.

If markets and governments fail, what can developing countries do? Traditional communities, rather than being a barrier to modernization, provide organizational features which correct the failures of market and state. The community provides a vehicle for members to cooperate voluntarily based on personal ties and mutual trust. Trust is created by long-term continuous transactions and reinforced by multiple interlinked transactions, not only reducing moral hazard but also creating collaborative relationships among community members. Such mechanisms created by trust and reinforced by social norms can be found throughout the developing world, and lead to the efficiency of the small peasant farm relative to plantation agriculture, management of common property resources by tribes and villages, and risk-sharing arrangements imbedded in landlord-tenant relations. While the community is not without its faults, Hayami urges development practitioners and policymakers not to underestimate the community’s ability to adapt to changing conditions.

In his final chapter, Hayami reflects on the development experience of his own country, Japan. He summarizes the fundamental question in development economics as how to activate the interaction between technology, institutions and culture, so as to induce innovations which will transform borrowed technology into economically and socially appropriate technology. Hayami recommends that developing countries should develop their own institutional innovations for borrowing technology, based on the characteristics which are latent in their own premodern cultures. There is no single road to economic development; rather, there is a multiplicity of paths based on each country's unique systems and traditions.

This is a valuable book for researchers and policy-makers alike. It is rare that such a diversity of economic theories is organized into such a cohesive framework. It is even more valuable because this framework has been validated by the author's own grassroot observations in many developing country villages. By focusing on the interaction between market, state, and community in the development process, Professor Hayami offers a compelling challenge to the next generation of development economists.

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Rural South Africa

Land, Labour and Livelihoods in Rural South Africa

Volume 1: Western Cape. Michael Lipton, Mike de Klerk and Merle Lipton (Editors) and Volume Two: Kwa-Zulu Natal and Northern Province. Michael Lipton, Frank Ellis and Merle Lipton, (Editors) Indicator Press and the University of Natal, Durban, South Africa, 1996, 452 pp. each, SA Rand 100 (per set of two vols), ISBN 1-86840-234-7.

These two volumes are an essential and almost unique compendium of information on how previously disadvantaged people in rural South Africa gain their livelihoods. It will be useful to a broad spectrum of

social and agricultural scientists, policy-makers, students and those with a general interest in South Africa, as well as to those with an interest in the rural poor in developing countries generally.

Volume 1 opens with Michael Lipton's review of international experience with rural reform and its applicability to South Africa. This is followed by a series of studies relevant to the Western Cape, and finishes with a useful national overview of the institutional influences that have resulted in the dualistic, economically inefficient and inequitable agricultural and rural sectors. Volume 2 concentrates on issues relevant to Kwa-Zulu Natal and Northern Province, ending with an overview of the macro-economic and sectoral policies that have influenced agricultural resource allocation throughout South Africa.

A recurring theme is whether the lifting of institutional constraints, combined with extensive rural land reform, will result in increased smallholder efficiency, or whether government efforts should be directed towards non-farm employment for the rural poor. In Volume 1 Chapter 1, Michael Lipton highlights evidence from throughout the world showing that in labor-abundant economies small-scale farming is socially optimal under most circumstances. He points out that there is no reason these labor-intensive systems cannot use modern technologies, increasing output and incomes. An important aspect highlighted is that such farm systems do not necessarily have to provide the high income targets set by bureaucrats. Part-time farms can play an important role in poverty reduction and in reducing urbanization without reducing allocative efficiency. Evidence is also given that forced restrictions on share-cropping, unless accompanied by significant redistribution, would have negative impacts on the rural poor.

Readers are advised to turn forthwith to Volume 1 Chapter 16 by Merle Lipton, 'The Politics of Rural Reform,' because it provides those new to South Africa with a context to understand the issues, while providing South Africans an objective theoretical perspective from which to analyze the issues. It is a well-written, concise review of agricultural development in South Africa and, despite gaps and generalizations, highlights many of the political forces that have shaped the evolution of agriculture in South Africa and which will continue to influence its development.

Merle Lipton's chapter places the specific South African analysis into a general theoretical framework to make use of emerging political economy and institutional models to explain the 'irrational' development of capital-intensive systems in the face of the increasing scarcity of capital and abundance of labor. She provides an outline of the institutional and political pressures that have resulted in an agricultural system where white agriculture has been technically efficient, but economically highly inefficient, and where underutilized land in the black areas exists despite severe poverty and unemployment. Merle Lipton briefly outlines the impact of policies which subsidized white agriculture and marginalized black farmers. Discriminatory policies raised the transaction costs of farming making it rational for people to migrate. The limited urban investment options made it necessary to retain access to land for unemployment and retirement and to increase investment in cattle rather than in cropping, renting or selling the land. Surprisingly, Dr. Lipton does not include in these pressures the distorted urban and mining wage rates.

The chapter by Fényes and Meyer (Volume 2 Chapter 15) also deserves special mention, because it provides a useful overview of the impact of macro-economic and sectoral policies on resource allocation and the resultant capital-intensive, large-scale agricultural systems. Readers can then appreciate the economic environment which gave rise to the empirical evidence presented in the microeconomic and regional studies.

The chapters on large-scale farms in the Western Cape in Volume 1 highlight the success of these very capital-intensive, high-value output systems, which have strong multiplier effects both for employment and incomes. It appears that small farms may not be able to increase employment or incomes in these specialized farming areas, partly because of the institutional factors that have resulted in over-staffing and partly because of the high start-up costs and the very high training costs needed to achieve the levels of required management expertise. The impetus for reform here is related more to racial equity than to increased efficiency.

The chapters in Volume 2 that consider the potential for land reform and increased smallholder agriculture in Kwa-Zulu and Northern Province use a number of

different models, with a range of assumptions to reinforce their particular outcomes. The approach by Lyne and Ortmann (volume 2 Chapter 3) indicates that land redistribution provides considerable efficiency gains but no employment gains (a 600% increase in the number of such farms would result in only a 1% increase in employment). A chapter by Rupert Baber (Volume 2 Chapter 11) about a semi-arid system in Northern province finds very few opportunities for increasing livelihoods from smallholder agriculture. The descriptive analysis by McIntosh and Vaughn (Volume 2 Chapter 5) is pessimistic about the potential for smallholder participation in the sugar and timber industries. It would be useful to contrast these findings with those in the many countries which have successful sugar out-grower schemes and to determine whether the institutional barriers in South Africa are immutable.

Findings on livestock by Tapson (Volume 2 Chapter 10) confirm those from elsewhere in Africa that multiple-output communal cattle systems are more productive than extensive beef ranching. Several chapters then highlight the high cost and low return of concentrating on large rural resettlement schemes and diverting attention from the needs of improving livelihoods for the majority of the poor who could not be included amongst the resettled.

There are also a number of chapters indicating the political and social forces that could derail production-based land reform. The experience of large, center-led resettlement schemes in Zimbabwe, which in effect redistribute some land but hold all the institutions for inefficient resource allocation in place for the rest of the land, confirms the dangers of a piecemeal approach.

Many of the contributions seem to consider the solution to rural poverty to be industrialization and appear to advocate the retention of the current agricultural system almost unchanged. Little evidence, however, is presented on how to achieve high rural non-farm growth without generating a rural surplus.

The inevitable distributional and racial equity considerations implied by the context of the subject matter are implicit in some chapters. Other chapters reflect a strong bias against agricultural solutions to reducing rural poverty and appear to be more concerned with technical efficiency than socially optimal, or economically efficient systems. The evidence presented in

these volumes needs to be brought together and a more systematic analysis presented of the options, opportunities and constraints presented within an overall political-economy framework. The abbreviated and differing separate introductions to each of the two volumes by different combinations of the editorial team are not enough in this regard.

A last general concern is the absence of black South Africans in the conceptualization, editing and writing of these volumes. Only two of the chapters are written by black South Africans, with a further two including black authors. This reflects the scarcity of returned academics at the time, but it is to be hoped that more

senior black academics will be included in the future. This said, I strongly recommend these volumes as essential reading and reference material to anyone interested in land, agriculture, rural development, poverty and the political-economy of South Africa.

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