ELSEVIER

Agricultural Economics 27 (2002) 85–92

AGRICULTURAL ECONOMICS

www.elsevier.com/locate/agecon

Book reviews

Review of World Development Report 2000/2001: "Attacking Poverty", World Bank
Oxford University Press, Oxford, 2001, 335 pp., US$ 26, ISBN: 0-19-521129-4

Each year the World Bank publishes the World Development Report (WDR), which provides the views of the World Bank's research staff on specific topics. Many different topics have been covered since the first WDR was published in 1978. In 1980 the topic was poverty. At some point in the late 1980s, the World Bank decided that poverty would be the topic of the WDR every 10 years, so poverty was the topic in 1990 and again in 2000. These WDRs are key policy statements by 'the Bank', which has officially stated that its *raison d'être* is the reduction of poverty in developing countries. Here, I review the 2000 WDR, with reference to the 1990 WDR. [1]

Both the 1990 and the 2000 WDR provide comprehensive policy advice on how developing countries can reduce poverty. The advice in the 1990 WDR was based on three 'pillars': labour-intensive economic growth, investments in human capital, and safety nets for individuals or households that cannot take advantage of the first two pillars (such as individuals that have disabilities or are subject to repeated 'bad luck'). This approach to poverty alleviation is now accepted by most economists whose research focuses on developing countries, as well as most aid agencies, although there is still some disagreement on the emphasis to place on each of the three pillars.

The policy framework of the 1990 WDR guided the Bank throughout the 1990s, and it retains almost unanimous support within the Bank to this day. Thus, the task faced by the 2000 WDR was to find something new to say. In fact, there is much new to say because research on poverty and economic growth in developing countries flourished in the 1990s due to renewed interest on the part of researchers and to a rapid increase in the quality and quantity of data from developing countries. In particular, much has been learned about what policies promote economic growth (and the form of that growth), the impact of human capital on economic and social outcomes, and the design of safety nets. However, presenting this material in a way that makes it interesting to non-specialist readers is a challenge; adding more detail to the 1990 WDR is very useful for policymakers but is not necessarily exciting reading for interested observers, nor is it something that will catch the attention of journalists, and thus, generate favourable publicity for the World Bank.

The approach to this challenge taken in the 2000 WDR is to broaden the definition of poverty to include many aspects of life that traditionally have not been viewed as components of poverty. More specifically, the 2000 WDR has three themes: opportunity, empowerment, and security. The first, opportunity, is essentially a more detailed exposition of the themes of the 1990 WDR. The second, empowerment, focuses on government institutions and political issues. The basic message of this theme is that the poor are "treated badly by the institutions of state and society and excluded from voice and power in those institutions". The third pillar, security, returns to more standard economic themes, how to mitigate risk faced by the poor and how to cope with economic crises and natural disasters.

In addition to broadening the definition of poverty, the 2000 WDR gives a more 'human' dimension to the discussion by sprinkling quotes from poor people throughout the report. These are taken from a 'voices of the poor' initiative in which Bank staff and

[1] In the late 1990s the Bank decided to modify the dates, so the 2000 WDR is officially called the 2000/2001 WDR. In this review, I will refer to it as the 2000 WDR.

consultants interviewed hundreds of poor people in many developing countries and wrote up the findings in a separate report entitled *Voices of the Poor: Crying Out for Change*. While reference to voices of the poor may convince some of the Bank's critics that it has a 'human face', it is not clear that this exercise has had any effect on the Bank's thinking on poverty (though it has had an effect on the Bank's public relations strategy). One reason for little or no effect on the Bank's thinking is that the 'voices of the poor' findings yielded little new information for Bank staff that have long worked on poverty in developing countries.

In the rest of this review, I would like to provide some insights and opinions on the 2000 WDR. Before doing so, I should explain that I worked in the research vice presidency of the World Bank from 1986 to 1999. Some of my research has been on poverty, although I did not participate in any significant way in either the 1990 or the 2000 WDR.

My overall assessment of the 2000 WDR is quite positive. It has synthesised an enormous amount of research done in the 1990s (both inside and outside the Bank) into a coherent format, and it presents the material in a fairly non-dogmatic way. In the past, the Bank has often presented itself as omniscient and infallible, and it is good to see candid admissions that the evidence is still inconclusive on many issues. Critics of the Bank should certainly be as open-minded; doing so would enhance their credibility both within and outside the Bank.

This said, I do have some criticisms of the 2000 WDR. First, I have serious reservations about broadening the definition of poverty to include almost anything that is 'bad' in developing countries, such as crime, lack of democracy, and rude government officials. While the 2000 WDR claims that this approach "increases our understanding of poverty's causes" (p. 15), it seems a little odd that broadening the definition of something can increase our understanding of it. While most economists (including this reviewer) would think that there is merit to a more 'holistic' approach, there is a serious practical problem, which is that 'voicelessness' and 'powerlessness' are hard to define and even harder to measure. Indeed, there is almost no database for measuring them; of the 21 detailed tables at the back of the 2000 WDR, none refer to these concepts. Even if it were possible to define these concepts and collect data on them, the prospects for the Bank doing so in the next 5–10 years are essentially nil; despite its recent claims to have become a 'Knowledge Bank' the World Bank has steadily reduced the fraction of its budget devoted to research, from about 4% in the 1980s to about 2% today.

A second criticism of the 2000 WDR is that it tries to be holistic to the point of making sure that everyone's pet ideas are at least mentioned (and by implication taken seriously by the Bank?) in the report. For example, while the discussion of the security theme in chapters 8 and 9 is generally quite good, in my opinion 'nuclear disaster' is not one of the 'main sources of risk' faced by the poor in developing countries, even though Table 8.1 gives it equal billing with floods and droughts. A similar criticism is waffling on controversial topics in an apparent attempt to please multiple audiences. For example, at times chapter 8 argues that there is large scope for government intervention to improve social welfare, such as the discussion of insurance on p.148 ("Publicly provided insurance could thus yield a net gain to society...”). But in the same sentence there is a disclaimer in the opposite direction ("... if the state is perceived as credible and the insurance scheme is fiscally sustainable"). This approach is pretty useless to policymakers who must make crucial decisions.

A third criticism of the report is that there is no attempt to indicate what programs or policies should receive the highest priority. This leads to a tendency to endorse 'luxury' programs that may be appropriate for developed countries but are simply unaffordable for almost all developing countries. An example of this, also taken from chapter 8, is the recommendation of universal health insurance. Two examples of the feasibility of this are provided; Costa Rica and Singapore. Singapore is really a developed country; in terms of per capita income, it is the ninth richest country in the world (well ahead of France and the UK, which are ranked 19th and 22nd, respectively, according to Table 1 at the back of the WDR). Costa Rica's public spending on health care alone ranged from 4.7% to 6.8% of GDP since 1975, which is far beyond the budgets of most developing countries; for low-income countries the mean figure is 1.3%, while for middle income countries it is 3.1% (Table 7). In the end, after reading this and other chapters, the reader has a large number of proposals but very little idea of their relative priorities. Poor countries simply cannot afford them all and need to know which ones should by done first. Perhaps such information is contained in some of the reports cited in the chapters, but there are so many such reports (chapter 8 alone has 140 footnotes) that no policymaker will ever find the time to read them. In the end, we are left with many slogans, such as 'safety nets', 'social funds', and 'partnerships among communities, the private sector and the state', but few clear recommendations on exactly what to do, and what to do first.

Despite these criticisms, the monumental task attempted by the 2000 WDR was by and large done very well given the time and resource constraints that it (and all WDRs) operated under. The report has much valuable information and does a good job of referencing virtually all of the good research produced in the past 20 years (while perhaps including some lower quality research as well). For anyone interested in poverty in developing countries, this is an excellent place to start. But potential readers should be warned that this topic is extremely complex and that it will require a very large time commitment just to read this one report. I strongly recommend this report to anyone who cares about poverty in developing countries and wants to take the time to learn about it.

Finally, a postscript is in order. The 2000 WDR has the notoriety of making the popular press earlier than usual because the team leader, Professor Ravi Kanbur of Cornell University (who previously worked at the Bank in several important positions), resigned near the end of the writing process. While he has not said publicly why he resigned, almost all of the rumors claim that he felt that upper management in the Bank was pressuring him to write things into the report that he did not agree with (and to leave out some things that he wanted in). From my discussions with former colleagues at the Bank, this pressure certainly existed, but the difference in opinion between Kanbur and others at the Bank may have been more one of emphasis than of fundamental disagreement. Some critics of the Bank have claimed (without much evidence) that the Bank heavily rewrote the report after Kanbur left. There certainly were some changes of emphasis. For example, the emphasis on opportunity increased after Kanbur left (it was moved to the front of the report and expanded from two chapters to three), and criticisms of Russia's performance and doubts about the 'East Asian miracle' were toned down. Anyone interested can view the "Kanbur draft (January 2000)" at the following location on the World Bank website: http://www.worldbank.org/wbp/wdrpoverty/draft100.htmto see how the report was changed after Kanbur left. To his great credit, Kanbur has not granted any interviews to the press, nor has he otherwise tried to gain publicity for himself (a characteristic often absent in the top management at the Bank). It is a shame that someone of Kanbur's caliber felt he had to withdraw from the team after the huge amount of work he put into it. While he may not agree with some aspects of the final report, many of its strengths are no doubt due to his efforts.

Paul Glewwe
Department of Applied Economics
University of Minnesota, 1994 Buford Avenue
St. Paul, MN 55108, USA
Tel.: +1-612-625-0225
E-mail address: pglewwe@apec.umn.edu
(P. Glewwe)
Accepted 8 October 2001
PII: 0169-5150(01)00096-2

CAP Regimes and the European Countryside
F. Brouwer, P. Lowe (Eds.), Oxford University Press, New York, 2000, Hardcover, US$ 90, ISBN: 0-85199-354-0

The stated objective of this book is to "review assessments made on the environmental effects of the CAP", with more than 30 eminent European authors called upon to fulfil this task. Following the Preface, which reviews policy developments and the state of research on the topic, the book is divided into four sections: the environmental reform of agricultural policy; the environmental performance of the CAP regimes, in which the common organisation of markets for beef, sheep and goat meat, arable crops, wine and olive oil is examined, together with policies for least-favoured areas, agro-environmental measures and organic farming; institutional factors in re-orienting agriculture; and finally, the outlook for the future.

Although assessments reviewed in the book relate primarily to the EU experience, the introductory chapter, dealing with the environmental effects of reforming agricultural policies in OECD countries at large, sets a broader scene. It outlines approaches and measures used in countries with very different problems, pointing to influences other than policy which can change environmental effects of farming (e.g. world market prices, consumer choice). It presents areas in which further work is being conducted within the OECD to obtain better environmental performance with less government support.

The chapters addressing the common organisation of markets in specific sectors have been up-dated to include the final agreement on the so-called Agenda 2000. They courageously address questions on the implications of the arable crops regime for the use of pesticides, for nitrogen pollution control, and for the countryside. These chapters, together with those relating to the beef regime and the sheep and goat meat regime, highlight the difficulties in predicting the effects of the new rules on environmental factors; but in attempting to do so, the authors have shed light on the intricacies of the new regimes, as well as on the extrinsic factors which affect their workings (weather, exchange rates, etc.). The wine and olive sectors are comparatively less ramified, but nonetheless have generated some environmental surprises, especially in the case of wine. The analysis of environmental aspects of olive cultivation in light of recent policy reform is particularly clear and exhaustive. The chapters on least-favoured areas, agro-environmental measures (Reg. 2078/92), and organic farming provide a valuable source of reference and comprehensive background information on these horizontal approaches to environmental issues.

Throughout the book, the importance of discretionary action by national governments is apparent. The chapter concerning national, cultural, and institutional factors is particularly appropriate, as is the discussion on "soft regulations", which examines the effectiveness of agro-environmental instruments in relation to the degree of state intervention as opposed to voluntary action. The institutional section closes with a chapter that provides examples of how the elusive problem of providing market remuneration for environmental and recreational goods and services has been addressed in Italy.

The overall impression gained from the book is that the authors are sceptical about the effectiveness of measures for alleviating environmental problems and promoting rural development included in the CAP reform. The final chapter "Agenda 2000—a wasted opportunity?" however, presents a clear analysis of the political pressures that have shaped the reform, and the mechanisms that potentially could give greater weight to environmental considerations.

The book makes an important contribution to understanding the interaction between market policies, which aim principally at income objectives, and environmental policies which have had mixed motivations—to control pollution, preserve habitats, wildlife and landscape, but also to reinforce attempts to curtail expansion of output without drastically damaging incomes.

Each chapter is self-contained. Some chapters assume a fair amount of prior knowledge about the CAP on the part of the reader, while others are more suitable for newcomers to the subject. Coverage in terms of policy provisions is wide, and the analytical index is fairly well-developed. Considering the complexity of the policy instruments and the multiplicity of technical terms, a glossary would have been a useful addition. On the whole, however, the book should prove a useful and authoritative source of reference for some time to come.

Margaret Loseby
University of Tuscia, Viterbo, Italy
E-mail address: loseby@unitus.it (M. Loseby)
Accepted 8 October 2001

PII: S0169-5150(01)00098-6

Organisation for Economic Co-operation and Development, Income Risk Management in Agriculture

OECD, Paris, France, December 2000, 152 pp., US$ 42.00, Softcover, ISBN 92-64-18534-8

Looking for a book on risk management problems and institutions for an advanced undergraduate class or extension audience? This OECD workshop proceedings volume may be the book for you. The workshop summarised policy and market approaches to agricultural income risk management and evaluated the effectiveness of alternative approaches. It was motivated by a program objective of the OECD Agriculture Directorate to examine "new policy approaches to deal with income risk management at farm level, the scope and limitations of market-based mechanisms and public policy, and how to minimise production and trade distortions associated with the different policy mechanisms" (OECD, 2000, p. 18). The first section of the book provides a general overview of income risk management and government intervention in agriculture, and the second section discusses specific approaches to income risk management in OECD countries.

The first section by Moreddu describes types of agricultural risk including production, ecological, market, and institutional risk. Agricultural risk management tools include capital and debt management, diversification of income sources, production and marketing techniques, and insurance. Income diversification is important as many farm households draw a significant proportion of their income from non-agricultural sources. Government intervention in risk management results from market failures to provide adequate risk management tools to agricultural producers. In the absence of such tools, risk-averse producers make socially sub-optimal production decisions, which lead to welfare losses. Government policies in OECD countries have included input, market price, or direct payment subsidies. One of the most important government interventions is subsidised insurance of crop yields or revenues. Some countries provide income safety nets for farmers. The chapter concludes with a brief discussion of possible trade and production-distorting effects of government interventions in risk management.

The second section discusses transfer of risk along the food chain, risk reduction with futures markets, insurance systems, and safety nets. Swenson provides a US farmer perspective on current risk management efforts. Highly integrated firms use their market power to transfer unacceptable risk to farmers and consumers. In his view, while public policies mitigate risk and address risk symptoms, they do not address the causes of risk, which are due to market power and inadequate competition within the food system. Martin and Shadbolt describe the response of New Zealand sheep and beef producers to deregulation and the resulting increase in price variability. In response to increased market-risk, farmers reduced their debt holdings and diversified their enterprises.

Cordier discusses use of futures markets for risk management and evolving needs for market-risk management tools. New market-risk management products, services, and intermediaries to provide services are needed to deal with the increasing diversity of food products in response to changes in consumer demand and to meet producers' needs for risk management over investment cycles. Matheson concurs that demand for futures products will expand, but also notes constraints to increased demand. Increased vertical integration and co-ordination in some markets may limit the numbers of buyers and sellers, thus limiting demand for hedging tools. Government support programs may reduce farmers' incentives to seek other risk management tools including futures markets.

Harwood et al. describe the US crop insurance program, which has developed an increasing array of yield and revenue insurance options. The private sector is becoming more involved in the development as well as the delivery of insurance products to farmers. The effectiveness of crop insurance in combination with futures markets in reducing farmers' risks is analysed for four US case examples. Both instruments reduce risks but their effectiveness varies with the weather risk and the correlation between yields and prices at the location. Burgaz describes the agricultural insurance system in Spain—its institutional features, crops covered, types of risks insured, and insurance costs and subsidies. As a result of enhancements to the system, 45% of Spanish agricultural commodities are covered by insurance. Skees critically evaluates the rationale for agricultural insurance programs and their performance in the US, and makes recommendations for improving insurance programs. While public insurance can increase economic efficiency, care must be taken in its design. If insurance programs become a mechanism for delivering subsidies to farmers, market distortions may result and agricultural risks may increase.

Richardson describes the Canadian experience with providing safety nets to low income farmers. Canadian safety nets are income-based rather than price-based and focused on whole farm income rather than individual commodities. Richardson asserts that the program has maintained basic income levels without distorting production decisions. As described by Burns, the Australian government provides a number of services to assist risk management including long-term weather forecasting, disaster assistance in the case of extreme weather events, and allowances for income smoothing to reduce the variability of after-tax income. However, producers bear much of the risk management responsibility with the assistance of commercial production and market-risk management instruments.

The book provides a good overview of contemporary agricultural risk management challenges and responses in OECD countries. Although there are occasional lapses, it is generally well written. Instructors for advanced undergraduate policy and risk management courses might use this book as a reference on the context and institutions for agricultural risk management. Researchers and extension educators may also find the book useful as a source of information on current agricultural risk management problems and policy responses. The book is heavily oriented towards western Europe, North America, Australia and New Zealand with little reference to experiences of other OECD members in eastern Europe, east Asia, Mexico, and Turkey. There is little discussion of the difference in policy objectives and responses between less developed countries with large agricultural sectors and more advanced economies where agriculture accounts for a smaller share of economic activity. While Morredu notes the relatively large share of non-farm income earned by farm households in many OECD countries, the book has little to say about the implications this has for farmers' risk management strategies and government policies to facilitate risk management. In spite of these limitations, the book will be of interest to those concerned with policy responses to income risk in agriculture.

Darrell Bosch
Department of Agricultural and Applied Economics
Virginia Tech, Blacksburg, Virginia 24061, USA
E-mail address: bosch@vt.edu (D. Bosch)
Accepted 8 October 2001

PII: S0169-5150(01)00100-1

Agriculture and Economic Growth: Theory and Measurement

Yair Mundlak (Ed.), Harvard University Press, Cambridge, MA, 2000, 479 pp., US$ 55, ISBN 0-674-00228-8

The main theme of Mundlak's *Agriculture and Economic Growth* is the importance of studying agriculture in the context of the whole economy rather than in isolation. Within this general equilibrium context, the author emphasises the interdependence of agriculture and the economic environment, in particular, the influence of world prices and policies on technology choice, resource allocation and growth. He does so by identifying important issues in agricultural development in both rich and poor countries, using the tools of general equilibrium theory to formalise ideas about these issues, and by econometrically testing the implications of the analytical treatment.

The book is motivated in Chapter 1 by raising issues and presenting evidence on output growth, price growth and input use for a large set of countries. The chapter also provides general comments on the characteristics of agricultural supply and demand. Although there is interesting information in the graphs and summary data, the chapter closes without clearly identifying the main issue or questions to be answered.

The rest of the book is divided into four parts. Part I (Chapters 2–6) presents the two-sector general equilibrium framework that is the basis of the analytical approach in the remainder of the book. Chapter 2 presents a simple two-sector general equilibrium textbook model, without factor growth or technical change and with constant returns to scale and non-joint technology, in which one of the sectors is agriculture. The simpler, more general and newer Dixit and Norman dual approach to general equilibrium is mentioned in an appendix but not used in the text. Chapter 3 is a glossary of policies and Chapter 4 presents the comparative statics of this two-sector economy when input constraints are relaxed. The main trade theorems, Rybczynski, Stolper-Samuelson, Hecksher-Ohlin, etc. are restated. Chapters 5 and 6 introduce technical change with the last chapter addressing Mundlak's 'choice of technique' approach. This last chapter, which is original work by the author, presents a model to explain the coexistence of 'old' and 'new' techniques of production. It does so by hypothesising that producers choose the technique of operation based on the economic principle of equal marginal returns across techniques. The optimal choice is simultaneous with the choice of resource allocation and is driven by the same economic variables. This approach rests on the critical assumption of capital scarcity when the new technique is capital intensive relative to the old.

In an alternative and simpler approach, coexistence of different techniques of production could be justified by the presence of input quality differentials, including human capital, agro-climatic and geophysical differences in resources, where there is no need to assume a capital constraint.

Part II is dedicated to the dynamics of factor growth and its impacts on resource allocation. Chapter 7 restates the Solow model in a one-sector economy, and briefly refers to the endogenous growth literature. In Chapter 8, the short- and long-run behaviour of the two-sector economy is examined when efficiency conditions in factor markets do not hold across sectors, placing the economy inside the efficient production frontier. While perfect competition prevails within each sector, mobility restrictions or differential tax rates create factor price wedges. It is shown that under these conditions, some of the behavioural relationships established for the standard case might be reversed in the short run but preserved in the long run. Chapters 9 and 10 devote attention to the dynamics of labour and capital allocation, respectively, attributing the factor differentials across sectors to sluggishness in factor adjustments. Summaries are presented of models of occupational choice and migration, as well as studies of investment behaviour, and ad hoc models of dynamic capital adjustment. The highlight of this section is a very interesting discussion of empirical findings on investment and stocks of capital from a cross-country study by the author and colleagues.

Part III (Chapters 11–13) focuses on technical change. The first two chapters are devoted to production functions, estimation approaches, and estimation problems, with a very brief summary of work in this area by the others. The author examines the advantages and disadvantages of several estimators with emphasis on direct versus indirect estimators. The comparative study of direct versus dual estimators is of special interest because it is original work by the author. Even though his economic argument for the choice of direct over dual estimators is weak, his statistical argument seems powerful. Chapter 13 is an important chapter in this section and in the whole book. The author attempts to provide a theoretical and empirical interpretation of agricultural productivity using the 'choice of technique' framework and panel data estimation methods he developed earlier in his career. He argues that the proper coefficients to use in productivity measurement and growth accounting are those obtained from regressing outputs on inputs and other state variables once the time and cross section variation is eliminated, referring to them as the coefficients of the 'core technology'. He attempts to establish the inappropriateness, for productivity measurement, of coefficients that are obtained from a panel regression that accounts only for fixed country effects, arguing that they do not allow differentiation of production techniques. Although his statistical approach seems consistent with his theoretical model, he does not succeed at establishing the theoretical or empirical superiority of this approach over simpler ones. In particular, the capital restriction that drives the choice of technique approach seems overly restrictive and in some cases unrealistic when agro-climatic differences, for example, are a sufficient reason for the co-existence of different techniques. His review of other cross-country productivity studies using different approaches is short and incomplete, stopping with his own 1982 study.

The fourth and last part of the book compares static versus dynamic behaviour emphasising responses to changes in the economic environment. Chapter 14 discusses the concept of agricultural supply and the importance of formulating it within specific conditions. In particular, this concept will depend on what is considered fixed and what is variable, including inter-sector factor flows. There is also a summary of dynamic duality studies. The last chapter shows how to use the approach in the book to study the growth performance of a country. The effects of policy distortions on growth are empirically illustrated by presenting a summary of results of a two-sector study on Argentina, where the inter-sector flows are accounted for and techniques are chosen based on economic variables. It is shown that sectorial and macro policy choices in that country resulted in a lower growth path. Simulations of policy reform show the potential effects on growth of alternative policies. There is also a loose connection between this approach and the endogenous growth literature.

In summary, the main contributions of the book are: (1) a departure from the partial-equilibrium, one-sector view of agriculture by inserting agriculture in the general economy to capture the importance of inter-sector factor flows; (2) an emphasis on the importance of empirics and a summary of agricultural production relationships found in cross-country studies; (3) a restatement of the author's 'choice of technique' model and its implementation using panel data methods and (4) a restatement of his argument for the statistical superiority of the direct versus the dual estimation approach for production functions.

This is an important body of work for those interested in issues of agricultural development, as Mundlak attempts to integrate theory and empirical application with a general equilibrium flavour. As this book consolidates Mundlak's work, it is a welcome addition for those of us who have followed his work and have learned from him.

Lilyan E. Fulginiti
Department of Agricultural Economics
University of Nebraska, Lincoln, NE 68583, USA
Tel.: +1-402-472-0651; fax: +1-402-472-3460
E-mail address: lfulginiti@unl.edu (L.E. Fulginiti)

PII: S0169-5150(01)00101-3