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# DECISION-MAKING AND AGRICULTURE

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Edited by  
Theodor Dams, Institut für Entwicklungspolitik,  
Universität Freiburg, Federal Republic of  
Germany  
and  
Kenneth E Hunt, Agricultural Economics  
Institute, University of Oxford, England

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*Integrated Rural Development Projects: Decision-making on  
the Regional Level. Developed Countries/EC Integration  
Concepts and Experiences*

The assignment "Integrated (Multi-Package) Rural Development Projects: Decision-Making on the Regional Level for Developed Countries/EC-Integration: Concepts and Experiences" is too pretentious. It cannot be substantiated in a short discussion so we first have to delimitate the problem area.

We have to realize that we are dealing in the first place with economic policies and the way in which decisions in this field are made. A popular definition of economic policy may be "What do we want of the economy and how do we get it?". It is a familiar description of a "means and goal"-model in which the word *We* is more or less disregarded, much to our disadvantage because the question: "Who is meant by we?" is very essential in the field of sector/regional/national/international economic policy. What is the we-group? Is it the feudal caste? The mercantile group of dominating merchants? Is it another special group or is it the generality of all citizens? And if so, who are the citizens? Who is in and who is out? Who do we have in mind? This is an important question because the ultimate goal of our economic policy depends completely on the definition of our "we-group". We could think of many alternatives, e.g., the interest of a special group of farmers, of all farmers in a special region or nation, or all citizens of the Common Market. In the real political decision-making process we will meet all kinds of interests, and hence of definitions of "we-groups", though almost always very carefully concealed behind a facade of the very broad terms of "general interest".

The analysis of the decision-making process can be done in many ways. The method I will use here is the action scheme. In Fig. 1 we see a governmental agency as an Actor that pursues an End by selecting appropriated Means compatible with Conditions.

Now there is a kind of hierarchy of Ends and Means, that is to say, (1) one goal might be of more importance than another one, and (2) one goal might be regarded also as a Means of policy depending on the level of the responsible Actor. A simple example can illustrate this: the agricultural price level might be regarded as a *Condition* for some conservation policies, as a *Goal* for agricultural price policies and as a *Means* for agricultural income policy. So there is no clear-cut difference between Conditions, Means and Ends. In fact, there might be a system or hierarchy of Ends, in which a so-called

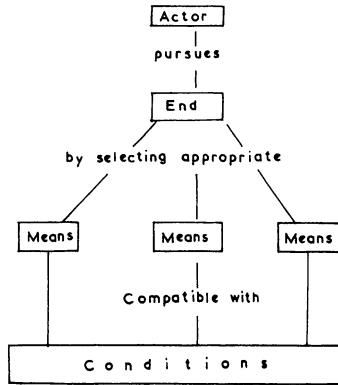


FIG. 1. Diagram of an action system

*Lower End* can be considered as a *Means* to reach the *Higher End*.

The *ultimate End* can be described as the “general welfare” and eventually measured with the *general welfare function*  $\Omega$ . The higher  $\Omega$  the better the situation is for the *We-group* or community. We can see different aspects of the general welfare, e.g., (a) Economic welfare and (b) Cultural, social, political welfare. Let us concentrate on the first.

Economic welfare can be improved via a higher social product and/or goals of economic policy, but also means to reach the ultimate goal, according to the following scheme:

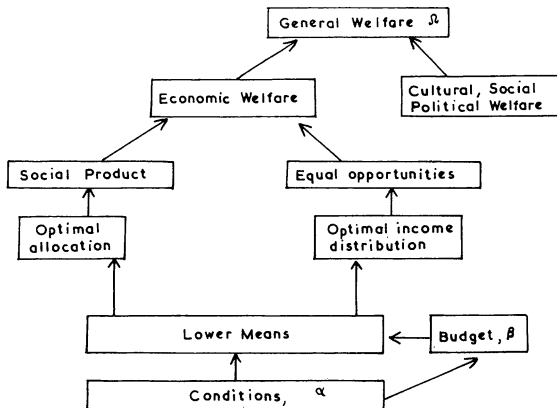


FIG. 2. The hierarchy of Means and Ends.

This whole scheme would collapse if we could not agree about  $\Omega$  and this depends also on our definition of the “*We-group*”.

If we are not completely honest about this we could end up with very conflicting material, only useful in the framework of regionalism, nationalism, various ideologies or combinations of them.

The second point we have to clarify is the place of agricultural policies in this general scheme. I will start with the scheme that is most appropriate in our conditions to-day, and that is the action-scheme of economic policy in the “national state”.

Given the ultimate goal of general welfare ( $\Omega$ ), we have the *major* objectives of economic policy:

- (1) social product (GNP);
- (2) employment;
- (3) income distribution;
- (4) food availability;
- (5) balance of payment;
- (6) foreign relations;
- (7) population.

These major objectives may well be served by many measures under agricultural means. We *assume* that these last means are also the objectives of the national agricultural policy. But it is clear that some see the agricultural policy as their ultimate goal of activities that can even be pursued at the expense of the welfare of others in the State. This is also a consequence of a difference in definition of “we-group”.

The agricultural objectives can be divided into *higher* and *lower* ranking goals. Lower indicates that such an objective may be used as a means to reach the higher objective.

The lowest ranking items are called the programs. These are policy measures that serve the agricultural objectives

(a) *directly*. They act upon the high ranking agricultural objectives e.g. direct income payments to farmers, regulation of food consumption

(b) *indirectly*. They act upon the lower ranking agricultural objectives e.g. land improvement, land consolidation, subsidies on investments, or premiums for grubbing up fruit trees.

It is clear, however, that improvement for agriculture or agricultural regions can also be reached by other means, e.g., industrialisation, a policy of opening up the countryside by new and improved roads via new alternative employment. These non-agricultural programs may have an influence on (1) the direct and/or the indirect agricultural programs, (2) the conditions under which the programs must operate and/or the decision-making process must take place.

The third point of clarification regarding the title of the assignment is to find the so called “packages”. We have found already three important types of program packages:

- (a) direct agricultural programs;
- (b) indirect agricultural programs;
- (c) non-agricultural programs, with effects on agriculture or agricultural regions.

We see in Table 1 that almost none of the well-known agricultural programs belong to only one column. Nevertheless we can consider all programs

TABLE 1. *Types of programs and their immediate effect on some ends.*

Program	Effect of Program on							
	1 Export import	2 Price output	3 Price input	4 Effici- ency	5 Quality of factor	6 Quantity of factors	7 Direct programs	8 Non-agricul- tural programs
Vocational training			X	X	X			
Agricultural research				X	X			
Agricultural Advisory Service				X	X			
Land improvement			X	X	X			
Land reclamation			X	X		X		
Land consolidation			X	X	X			
Soil conservation			X	X	X	X		
Soil bank			X	X		X		
Enlargement of farms			X	X	X			
Resettlement			X	X	X			
Leasing regulation				X	X			
Rent regulation			X					
Credit arrangements			X			X		
Interest subsidies			X			X		
Grubbing up schemes for fruit trees				(X)		X		
Slaughtering schemes		X	X			X		
Giving up farming schemes				X		X		
Pensioning of farmers				X		X		
Sanitary regulations	X	X	X	X	X	X		
Food aid	X	X	X					
Intervention		X	X					
Quantitative restrictions	X	X	X			(X)		
Variable import/export levies	X	X	X			(X)		
Fixed import/export levies	X	X	X			(X)		

TABLE 1. *Continued.*

Program	Effect of Program on							
	1 Export import	2 Price output	3 Price input	4 Effici- ency	5 Quality of factor	6 Quantity of factors	7 Direct programs	8 Non-agricul- tural programs
Direct income payments							X	X
Social allowances							X	X
Fiscal policies for agriculture			X			X	X	X
Industrialisation								X
Opening up the country-side		X	X			X		X

that are represented in a specific column as a “package”. In these packages we can find that the various programs can act upon each other, either “positively” or “negatively”, or that they are neutral to each other. *Between* those packages we can find the same relationships.

Each of the programs (packages of programs) can only be executed if there is a legal basis and a budget for it. So we get a somewhat more detailed action scheme in which the ultimate goal is pursued by selecting appropriate programs, compatible with economic, social and political conditions. These conditions will be of enormous importance for the program decided upon and for the budget available for it. Our scheme for national agricultural policies is now:

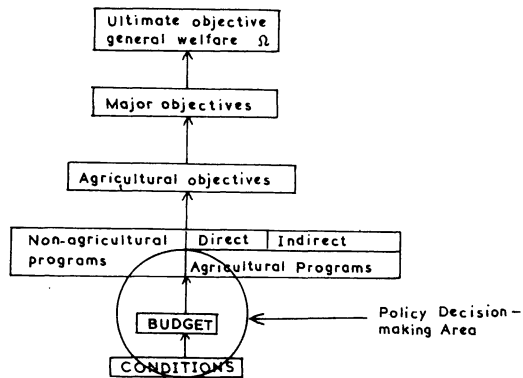


FIG. 3. The place of agricultural policy in the action scheme

If we have to look interregionally there is here also an international policy analysis – the picture becomes more complicated. The general welfare function is then not the national welfare function but the *Community welfare function*, and they are by no means identical. In the idealistic situation of economic integration the national interest has to bow to the interest of the Community as a whole. In the process of integration we will have to solve various problems connected with:

- (1) setting up the Community's General welfare function
- (2) setting up a political Actor for the programs
- (3) setting up the budget for the Community
- (4) antimony between the national programs and the programs of the Community.

In order to analyse the decision-making process we *assume* that the political decision-maker acts in a rational way, that is by trying to increase the welfare function. In case this function is not known we could add “the general welfare function as the politicians see it”.

Whatever decision they want to make they should have to evaluate the effects of a specific program on the major objectives or on the general welfare



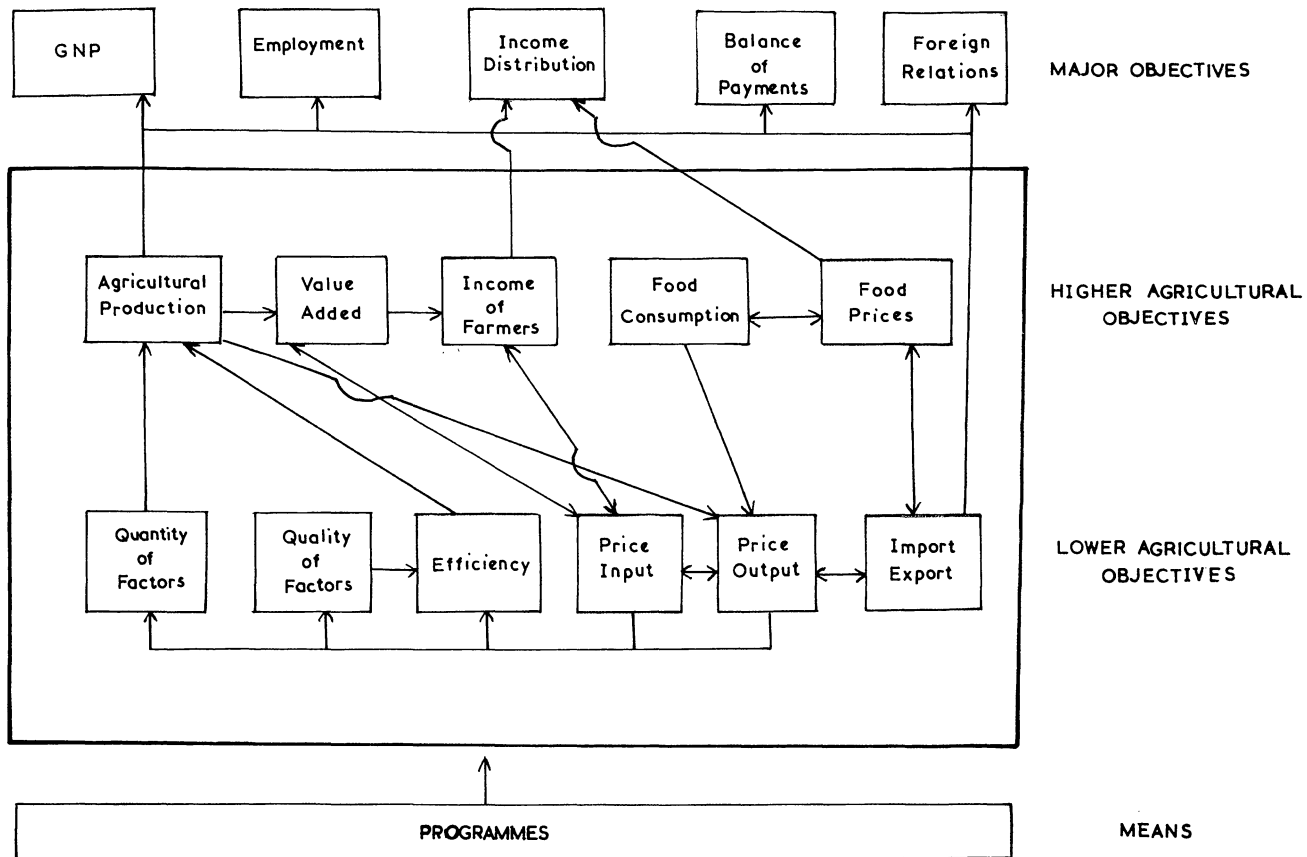


FIG. 4. A scheme of the economic "machinery" (relationships) in the hierarchy of ends and means.

function. To be able to do this we need to know the effects of a program on the agricultural and major objectives. This effect is not easy to detect because of the many interactions. To find these, we need some knowledge of the economic "machinery". See Figure 4.

This scheme gives a rough idea of the effects to be expected. The vectors in this diagram give the direction of the effects. We see that there are one side effects ( $\rightarrow$ ), mutual effects ( $\leftrightarrow$ ) and "internal circuits". As a consequence of this a lot can happen in the machinery, without any effect on the major objectives or general welfare. Let us take some examples.

(a) In order to improve the income position of the farmers we decrease imports of feed grains (in a net-importing country)  $\rightarrow$  Prices of output increase  $\rightarrow$  higher production  $\rightarrow$  higher value added (= agricultural income)  $\rightarrow$  higher prices of inputs, e.g., feeding grains or land. If the farmer is not the owner of the land or there is no rent regulation (as there is in the Netherlands) we can expect no clear-cut improvement of income of all farmers, not even of all the farmers who were producing grains themselves.

(b) Again, to improve farmers' income: increase in efficiency by research and extension  $\rightarrow$  higher production  $\rightarrow$  lower farmer prices  $\rightarrow$  lower agricultural income  $\rightarrow$  lower rent and/or farmers' income and perhaps a decrease of consumers' prices, so the result may be somewhat different than expected when the program was started.

Not only the direction of the effects is interesting but also the "intensity". Notwithstanding the extensive agricultural economics literature there are some gaps in our knowledge. There is still surprisingly little known about the welfare effects of programs. This is even evident in the rather loose way we use the term "cost of a program". This can have four different meanings: effect on the cost of living, effect of the budget cost, the resource cost or the welfare costs. The nasty thing here is that too many do not realise the very different way the word "cost" is used in this phrase, quite apart from the meaning these "costs" may or should have for the decisions of the politicians, who are sometimes not trained economists. There are some conflicting means in the scheme for we should realize that we have policies:

- (a) to stabilize output prices;
- (b) to protect output prices;
- (c) to regulate input prices;
- (d) to improve the "state of farming" and the structure of agriculture at low or no cost or even with subsidies for the farmers;
- (e) to bring about an economic union.

We might get the impression that the director of the agricultural machinery at the same time tries to accelerate, to use the brakes, to change the machinery and install it in another "mill". This opens fields of conflict in the agricultural policy in respect of:

- (a) The general welfare function of the community against various regional, sectoral and national interests;
- (b) This conflicts about "who is the actor and provides for the budget".

Decision-making about programs of agricultural policy is at the same time making decisions about governmental budgets for such programs. These budgetary problems can be approached in two different ways:

(a) According to a normative theory about policy decision-making – the best known example is the so called “p.p.b.-system”.\*

(b) According to a positive theory about policy decision-making in which more “empirical” knowledge about the decision-making process is involved.

In the normative approach the goals of economic policy are carefully formulated in quantitative as well as qualitative sense. Moreover, clear priorities are given to the various goals. Alternative means (programs) to reach those goals are proposed, and by a careful benefit-cost analysis the best program is sought. This program gets the appropriate part of the budget and is accorded a special plan over time.

This straightforward method does not always work within European countries in which *coalitions* are predominant. The essence of coalition is the presence of a set of groups with different goals and values. In order to survive as a coalition it must try to minimize conflict. This has as a consequence that clear cut goals, priorities, benefit-cost analysis and programming cannot be set up, because this would highlight the sometimes very large differences within the coalition, only leading to skirmishes and collisions which would bring the coalition to an end. That straightforward method is not available to the European Commission either because this is in essence also a coalition that can only rule with unanimity – it is indeed a very strict form of a coalition government. Setting up well defined goals, priorities, benefit-cost analysis, etc., would expose the real controversies, which a politician working in such framework could only wish to prevent.

In this coalition structure of many parties we find special interest groups within each party, e.g., the “green lobby or farm bloc”. It is well-known that a well organised farmers’ organisation can have influence within various parties. In each party we will find specialists in various fields, including agricultural policy. A remarkable feature of the political structure in many European countries is that the farm specialists of the various parties do not disagree very much on matters of agricultural policy. So they can pursue their end in a common effort. The same happens to other special interests as, for example, public housing, education, health or defence. These special groups do not usually interfere in each others “business”. So the decision-making process is a special type of negotiation between (1) specialists in parliament, (2) the minister for that special field, (3) the bureaucracy and (4) minister of finance. It has been proven that in many cases the specialists, the special minister and the bureaucracy can agree rather easily and the only one who can oppose the decisions is the minister of finance. We can also see that the influence of the bureaucracy in the European Community is even stronger than on a national level, whereas the influence of Parliament is much weaker. The process is not always that simple, e.g., elections and or a break-down of a

\* Program-Planning-Budgetting System.

coalition-government can change the priorities. The bureaucracy is also not always a homogeneous body. There are controversies about priorities between the directors of the various programs and a lot of infighting may go on, e.g., to get an alternative program approved.

It has been proven that the welfare functions of the bureaucrats and the politicians do not necessarily coincide. The problem is that the equilibrium they reach need not correspond to the highest  $\Omega$  or the highest general welfare. The bureaucracy is not a neutral agent in the decision-making process. Here is a very important problem area for every democratic policy-making procedure, not only for agricultural or regional policies. But in relation to these policies we have to realize that the planning and execution is done not only on the national level but also on the regional and international level. This will complicate the process, for there are more actors and different procedures to observe.

One of the differences between the positive theory of decision-making and the normative one is that the latter assumes that the optima of the various groups coincide with the highest  $\Omega$ . This still needs a proof as well theoretically as empirically.

An additional difficulty in the decision-making process is the changing aspects of the whole scheme: the conditions, the political process, the economic machinery, the objectives and even the general welfare function are not constants but are changing over time.

In the course of the last 50 years we have got a lot of agricultural programs in Western Europe. Some of them have been mentioned already in the schemes. There are some factors that make it very difficult to remove a program. Around such a program other programs may be built up to strengthen the policy. In this way new packages of programs may develop.

As illustration, the Netherlands started the land consolidation programs in 1923. In the depression of the Thirties, land consolidation was thought of as a public work providing employment. The program got a broader scope, all kinds of things were combined: land improvement, drainage, reclamation, reallocation, resettlement, construction of roads, bridges, electrification. They become an integrated measure for modernizing the countryside. This set of integrated programs is now one of the most important structural policies for agriculture in the Netherlands. The problem was, and still is, the small-scale of many farms and in such a situation modernisation has not the effect it might have on larger units. So programs for pensioning off farmers were set up, as well as providing other farmers (who wanted to give up farming in an area where such a "land consolidation program" was enacted) with money or land in the new polders. Of course, this package of programs has had a large impact on agriculture, the countryside and the landscape. Moreover, this interlocks with the fact that in the Seventies the city-man wants to visit quiet rural places, see the romantic countryside and wants to preserve the landscape. The Netherlands, moreover, is a densely populated area and therefore needs careful town- and country planning, that is, physical planning. No wonder that it is now trying to develop a set of integrated modern multi-package (rural) development projects in which farm and non-farm interests in land use will be served. It stands to reason that this is a very difficult task.

The land consolidation issue was debated heavily because of the low rate of return for the national economy as a whole, but as a matter of fact these calculations had no significant influence on the budget provided for this integrated program in the Fifties or Sixties. Moreover such programs must be executed in certain areas and become therefore a part of all kinds of policies for small regions and even of regionalism. In the decision-making process the influence of the region and regionalism may play an important role, hence complicating the policy decisions. We are not sure that the aims of the different actors on different levels are the same. Some may pursue farm interest, others non-farm interest, one group may see the land consolidation policy as a national one, others want to use it as part of their regionalistic policy. Disentangling these influences has not been tried, nor the systematic use of welfare functions-analysis. It is clear, therefore, that non-economic influences also play an important role. Land consolidation programs are available in many other EC-countries, but nowhere to the same extent in the technical and economic sense, as in the Netherlands.

The second example of a multi-package project in the Netherlands is the famous New Polders in the formerly Zuydersee. These polders were built on the bottom of the sea from the Nineteen-Twenties on. Originally three factors were of importance (1) to get a higher degree of security by shortening the coastline, (2) to get new agricultural land and (3) to get a reservoir of fresh water especially for agriculture and horticulture. In the polders whole new communities had to be created using the insight of modern sociological theory. It is important to notice how far from the original plans we in fact now are, as a consequence of the use of the car, the declining agricultural population, the new agricultural technology and also the new demands of city-man for more space and green prospect to enjoy. The whole project is now closely linked or integrated with physical planning in the Netherlands so that it is hardly possible any longer to speak of *agricultural* programs and goals in these very special kind of regional policies. They are of national importance now. It is remarkable that we find complicated problems here about who is the Actor, who provides for the budget, who decides about changing goals and priorities. It is also remarkable that economic considerations (e.g. benefit-cost calculations) played only a subordinate role in the decision-making process.

The third example of multi-package projects in EC-countries is the well-known combination of programs (1) to improve the technical state of agriculture and (2) the programs to protect prices at relatively high levels. This multi-package development scheme creates large difficulties because it results in surpluses. These have a bad political reputation, although they are more a sign of affluence than of economic failure and their costs are exaggerated.

Technical assistance and price protection normally works best for the large farmer, leaving the peasant farmer in the cold. Sometimes it is also very nice for landowners. In the Netherlands this aspect of the income distribution is handled by official land rent policies. It is surprising, however, how little is known about the real cost of these (combined) policies. There has been interest in the budgetary aspects, there is an awareness of the influence on the cost of living but of resource costs or welfare cost not much is known, so

we can conclude that these costs cannot play a significant role in the decision-making process.

There is no use going into the details of this multi-package deal for the EC-countries and regions, it may be sufficient that this package of programs has had many critics. The alternatives that are available stem from opinions about the functions that prices should serve. As we know, farm prices have at least two functions: directing agricultural production and generating income for the farmers.

(1) One extreme position is to change drastically the structure of European agriculture, and modernise farming completely in a short period. It is expected that the problems of the present multipackage program would then have gone for ever. This simple thought is the core of the well-known Mansholt Plan. Typical of this plan was the technocratic approach, economic analysis of the plan not being carried out by the European Commission. So it was only hoped that the Plan would be worthwhile and accepted by the politicians, the farmers and the public. This hope was idle indeed. The Plan was not sound economically and was socially unpleasant. It did not fit into the ideologies of farmers' interest groups. Typically for such a situation, almost no benefit-cost calculation or other types of economic analysis were used in the discussions. This is an interesting observation for an economist. The discussions were very emotional, and urged drastic changes in the Plan. In the end we got some directives based on the results of the Council of 25th March 1971 concerning:

- (a) modernization of farms;
- (b) encouraging farmers to give up farming and allocating farmland with view to improving farm structures;
- (c) vocational training.

Some Community criteria were formulated, but the action would be implemented through measures taken by Member States, partly financed by the EAGGF. The fact is that only certain countries actually have such measures. The interest of farmers nowadays is confined to the first point in order to get an interest subsidy. The other measures are not widely used because of the high rate of unemployment. So this alternative to the traditional multipackage ended up, not as an alternative to it, but as an amplification and strengthening of it.

(2) The other extreme position was to change the price policy from a protective one into a policy for stabilization of farm prices on a low level only. The prices should only direct agricultural production. The second function of the farm prices is that the generation of income should be eliminated and replaced by direct income payments to farmers for a *limited period of time* (e.g., 20 years) and *only* for farmers who were already productive when that plan was constructed. This Plan was heavily debated but benefit-cost calculations, again, were scarcely used in the analysis. In fact the Plan was not accepted as a workable alternative.

In the Netherlands a Ministerial Committee concluded, however, that direct income payments to farmers under certain conditions could be a

fruitful addition to the existing farm program. This could be the case when we have older peasant farmers (with small uneconomic farms) in a situation of a high overall rate of unemployment. The traditional farm programs would not work out satisfactory then either from a social or an economic point of view. Such a supplementary income policy has only been used once in an emergency-situation. The rules of the Economic Community do not provide for it, so it has tried to bring that group of farmers under the general social regulations. This means shifting the problem from the Minister of Agriculture to the Minister of Social Affairs.

The idea of direct income allowances is also part of the policies for farmers in the Alpine regions. In order to conserve the Alps we need farmers. Farmers can only do this and live if they have a reasonable income and an acceptable form of community life. In order to arrive at this goal a special policy based on the Resolution of May 1973 concerning agriculture in disadvantaged areas was set up. This policy can also be regarded as a part of environmental policies or regional policies. There is not much experience with this type of program in EC-countries.

(3) All this leads to non-agricultural programs for improving the conditions of the agricultural population, that is via opening up the country side, providing farmers' children with general education, industrialisation in rural areas, physical planning and administering general social policies. This non-farm-package has been important in the Netherlands and elsewhere in the EC and had an enormous impact on our social and economic conditions. The agricultural programs can now even be considered as special measures to assist farmers in adapting their farms and their lives and communities to the newly created social, economic and physical conditions. This type of policy mix fits into the process of capitalistic development, that is to increase productivity of agriculture, and of the country as a whole but – and that is essential – without permitting the social tragedies which accompanied such development in the last century.

This was also the leading optimistic philosophy in the Fifties and Sixties. But nowadays we are more pessimistic, not only with respect to the future, but also because we realise the high social cost of progress, and the problems in special areas. Even in a small country like the Netherlands there are regions that became backward, or were damaged in the process: the agricultural northern part is lagging behind the metropolitan west, the textile area in the east is in deep trouble, not to mention the troubles in the former mining area in the south. How much larger are the differences and the frustrations on a European scale. This leads to various kinds of political philosophies: to increase or decrease the power of the state in the social and economic field, to extend the Community or to break it up, to concentrate on national welfare or on regional interest. There is much confusion. As far as my assignment is concerned; the fragmentation of Europe, the nationalism and, even more, the regionalism could become a menace for Europe. It could become a fatal disease, seen in terms of the general welfare in Western Europe as a whole. From this fear stems the hope that multi-package rural development projects

and/or programs will *only* be used to increase the general welfare of the Community and will not be used in narrow-minded regionalistic policies.

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DISCUSSION OPENING — C. Vazquez-Hombrados, *Spain*

Two main threads in Dr. van den Noort's paper can be distinguished: (1) a description of the relationship between programmes and the political economy; the way in which the role of agricultural programmes fits in, with the aim of increasing welfare, is particularly well explained. (2) a review of some of the EEC and Netherlands policies; the future of agricultural economists' programmes is felt to be unclear, as these are not, or only partially, implemented.

EEC structural policy is discussed in technical and social terms rather than being subjected to economic analysis. Price policy is discussed at length; but with hardly any cost-benefit analysis it is decided to give subsidies to elderly farmers. In the Netherlands a land re-allocation programme has been set up to counter unemployment rather than to solve an agricultural problem.

In spite of van den Noort's pessimistic view, in all the cases cited the programme devised has played an important part in decision-making.

In the Guadalquivir area of Southern Spain a multi-disciplinary team has devised and implemented an irrigation programme; no-one is satisfied with its results, even though it was applied with close adherence to its plan.

If this is what happens with a small-scale programme, with no political complications (land reform having already been carried out), what happens (road blocks, pigs in Brussels, etc), when a more inflammatory programme is being considered?

When only the results from the technical experts involved in a programme are reported, this only represents a fraction of those affecting decision-making, and thus such programmes are only partially implemented. This problem will perhaps be solved when all the interested parties are fully involved.

Finally, as a Spaniard, from a country on the threshold of the EEC, is the impression gained from this paper a valid one that the Community is moving towards a break-up? Some comment on this would be welcomed.

DISCUSSION OPENING — J.F. Heavey, *Ireland*

My first reaction to Dr. van den Noort's paper is that it is extremely realistic in that, having examined the theoretical framework in which rural development decision-making might be carried out if an economist were in charge, he then contrasts this with the realistic world of decision-making by politicians.

In effect, the latter say, when challenged, "Never mind the theory — this is how we actually do it". Strange as it may seem, my sympathies are with the politician. The paper describes how a programme of land consolidation was carried out in Holland without any regard for benefit/cost ratios; how the New Polders were reclaimed from the sea; and that, "benefit-cost calculations played only a subordinated role in the decision-making process", which I take to mean that benefit-cost calculations were completely ignored. Perhaps we could admire the politicians who decided to get on with the job whilst

economists came up with a wide variety of benefit-cost ratios and almost certainly came up with widely-differing solutions.

But we are talking about concepts and experiences in rural development in EEC integration. This brings me to the question of planning and the differentiation between ends and means which the author outlines in the paper. Ends and means can very easily become confused, especially in the area of indicative planning, where targets are set as a means of achieving a desirable end. As often as not the target is not achieved exactly, and very soon the debate begins, not on whether the actual achievement was an improvement on the original position, but on the divergence from the set target. The problem then becomes the relationship of the target and in no time at all the target has become an end in itself. A good example of this is where full employment is an end and a phased reduction of inflation by target levels is a means. Where these targets have not been met the achievement of the target, probably arbitrarily set in the first instance, becomes the end, and people accept rising unemployment with submission.

I would like to have the author's views in more detail on the concept in the EEC package of directives, concerned with "a comparable income", and the related concept of "a farm worth developing". The whole question of the relationship between farm and non-farm incomes have come up several times during this conference. Professor Ohkawa says in his paper that "in developing countries in the pursuit of an equity objective, the income level of the non-agricultural sector is taken as a standard". This wording leaves several important questions unanswered. Does "the income level" mean "the average income level"? Most countries use that definition and certainly that is the meaning set out in EEC directives. But I do not, at this stage, want to make an issue of whether all or part of the non-agricultural sector be included. The next question is what does the average income level mean as a standard? In the case of EEC directives this is what is referred to as "the comparable income" which all "farms worth developing" must be able to achieve at the end of a 4-6 year development plan. Firstly, income distributions are notoriously skewed to the right. Yet the implication of the EEC directives is that each and every "farm worth developing" must be capable of achieving an average level of income which only a small proportion - much less than half - of the non-farm population is capable of achieving. We must ask then if these concepts are consensus concepts of equity and if they are acceptable in achieving the kind of Society which "We" referred to by Dr. van den Noort, wish to see brought about. Or are they arising because farm organisations constantly harp on another concept of developed countries - "the income gap"? Incidentally, it is my experience that those farm organisations who express most concern about the wide disparity between farm and non-farm incomes take little or no interest in the huge disparity which exists between farm incomes themselves.

There appears, however, to be an underlying assumption behind these concepts of parity, that all "farms worth developing" are farmed by people who really do want an income level equal to non-agricultural incomes or, put another way, that only those farmers who want this equality are to be

regarded as “worth developing”. There are many other aspects of farming beside income aspects and these cannot be ignored by agricultural economists in their calculations or in the conclusions they draw from farm income data.

Finally, I would like to say a word for that other concept, the consumer/taxpayer, who is constantly being asked to provide funds for rural and farm development programmes, through higher food prices and higher taxes. It seems to me that the aspects of welfare economics here are quite simple. The consumer/taxpayer, in general, regards the farmer, as someone whose car needs a push to get it started. He is quite willing to give the farmer’s car a push up the hill to take advantage of the downslope – on one condition, namely, that the farmer helps with the pushing and doesn’t insist on sitting in the car while it is being pushed. If he does so insist, then the consumer/taxpayer feels that, in equity, he is entitled to say “to hell with him”. And I feel we could be sure of a consensus on that point without appeal to theory.

### *Report of the general discussion*

The discussion on Professor van den Noort’s paper seemed to strike a somewhat pessimistic note. The divergence between programme objectives and achievements which he referred to was confirmed by speakers in the discussion. One underlined a consistent tendency for benefits aimed at a low income group in practice to improve conditions for a better-off group who had more competence, better organisation, greater political leverage, etc. – attributes which had resulted in their being already in more comfortable circumstances.

The Mansholt plan was seen differently by different speakers. It was held that Professor van den Noort’s judgement was unduly harsh, and gave too little credit for the depth of wisdom behind it and that its provisions were, in fact, deliberately chosen to be provocative, as a matter of political tactics, because he did not believe the necessary political decision could be reached without a jolt to public opinion. Some of the options from which Dr. Mansholt made his choice came close to the final decisions of the Council of Ministers a few years later.

The position of agricultural economists in this area was touched on by several speakers. They were reported to have taken part in the preparation of the Mansholt plan options – presumably during involvement with the EEC organisation. The question was raised, however, – following Professor van den Noort’s reference to the constraints on goal setting arising from fear that the exposure of conflicting national positions would disrupt the coalition – whether “outside” agricultural economists should also feel similar constraints in criticising EEC policy or whether their professional ethics required them to speak out.

In connection with agricultural economists’ contributions of this kind it was argued that, without explicit study of policy decision-making under real world conditions – and the implication was that such studies were scarce – statements to the effect that politicians’ welfare functions diverged

from the "real" ones were invalid. Moreover, the economist had no justification for criticism unless he was prepared to state clearly his own value judgements.

About the only contribution to theoretical aspects of the main paper spoke of the need for plans to include proposals for control and correction. Control of goal fulfilment and efficiency in means were seen as the basis for feed back for the correction of means — and of goals, too.

Changes in conditions, and the greater difficulty of implementing programmes than of formulating them, make these control measures important. Moreover, they are open to logical analysis and match the common practical solution where a policy programme is introduced and successively improved by experience.

This line of thought perhaps offered a hope of guarding against the risk of benefits being diverted from target groups to others less in need which was the plea of an earlier speaker who left the means unspecified.

Participants in the discussion included: C. P. Baillet, *France*; D. K. Britton, *U.K.*; L. Folkesson, *Sweden*; M. E. Mlambiti, *Tanzania*; D. Paarlberg, *U.S.A.*; U. Renborg, *Sweden*.

P. C. van den Noort (in reply)

The bringing of cows into Brussels offices and the blocking of roads by farmers illustrates my point that politics is an enormous factor in the economic decision-making process. I agree that, odd though these actions may seem, they are important for the politician who risks having his office invaded by cows but not for the econometrician working in the University where farmers do not know their way about.

Regarding fragmentation of the EEC, after the war there were very high hopes for a United Europe. In the early years they only succeeded in getting three small nations to join up. After a lot of negotiations six larger nations came together in 1958 but a lot of difficulties subsequently emerged. Now the group is enlarged with Britain, Ireland and Denmark. However, each time a specific national interest is harmed it is clear that EEC is not a Community but a coalition. Each acts for his own benefit. That is not to say that a nation should not act in that way, but it is an indication that it is not yet a community — it is a sign of fragmentation. Another sign of fragmentation is our inability to implement economic and social policies for Europe as a whole — for example in relation to inflation and monetary problems which are highly frustrating. The third indication is that Communists can take over in one country to the great annoyance of ministers in others, not to mention the separatist movements.

In view of this state of fragmentation it is remarkable that negotiations for Greece to enter the Community were opened a few days ago. Turkey will soon follow and, perhaps, Spain also, with Portugal and Turkey in the rear. That can only mean a lot of strife because these countries differ so

much from the rest of the countries in the North Western part of the EEC that I cannot imagine how to reconcile those interests. I therefore fear that the coalition will break down sometimes – but that is only a personal opinion.

I agree with others speakers that the social cost of some measures is not properly allowed for. It is no use putting farmers out of agriculture as a means of getting larger farms without taking into account what becomes of those who are displaced. If they have no employment it is not a good policy, it is social and economic waste. I agree, also, that part-time farming is only a step in the process of agricultural adjustment, both in Europe and in other countries. It is one stage between being a peasant and being an industrial worker.

There are two aspects to the question of income parity, one a value judgement and the other factual. I will start with the latter. Income parity was referred to in discussion as each farmer having the same income as the average citizen in the rest of the economy but that is not the way it is operated in my country or in Germany or in the EEC. There it is not every farmer, it is not the marginal farmer, it is not the average farmer, that is to have parity income but a specially well-defined type of farmer. The second point is that the comparison is not between the income of the average farmer and the average citizen, or worker, but the comparison is with a worker with the same type of skills and, moreover, living in the same conditions – in the same region or village, so that he has the same cost of living. The third point is to make clear that a goal of income parity does not mean that this situation will hold for all areas and all farmers. The fourth point, which is sometimes forgotten, relates to the value of being your own boss, to having freedom to live in the countryside and to have the way of life that you are used to. The fifth point, which is also sometimes forgotten, is that there is a large variation between incomes inside the farming sector.

Now turning to the value judgement namely whether such a farmer should have a target income. I do not know the answer, for it is a political decision. It is more or less based on the idea that, in a smoothly operating economy, things would work out in that direction. Everyone would have the same real income for the same kind of work; that is the true value basis for the concept of income parity for farmers.

Turning now to the question of high food prices and taxes, high food prices are bad for the consumer but high food prices do not necessarily mean high farm prices. In Europe people can better afford to pay high food prices than people in developing countries. However, permanently high food prices would stimulate agricultural production all over the world and that might be a positive good. So I cannot give a final statement whether high food prices are good or bad. The Tax aspect has already been discussed in earlier sessions. What concerns taxpayers, to my mind, is not simply that they have to pay to supplement prices but that they must pay also to support projects, electrification, housing and various other items. I would say that taxpayers would be helped very much if careful cost-benefit calculations were carried out and projects only put into practice if the benefit exceeded the cost.

I agree with the contention that the target group is not always accurately reached, and that groups can bring pressure to bear so as to get a larger part of the cake than perhaps was originally intended. But I would also point out that the outcome also depends on the kind of programme you choose. In the United States, as in Europe, Price Programmes are the choice. These give the larger farmer a larger income protection because he sends more produce to the market. Under another programme, e.g. negative income tax, or direct income supplement, aggressiveness would not offer the same gain — except, perhaps, in trying to circumvent the tax authorities; but that is another story.

I fully agree that Implementation, Control and Correction are very important. I omitted them partly for brevity and partly because there are substantial complexities arising from the fact that, once you have put a programme into action, then conditions in which you live and make decisions afterwards are changed.

I agree also that the Mansholt Plan was not an econometric study but was a tactical procedure and that proves the point that economic philosophy we find in the text books is limited in terms of application to real policy-making. Unless text books improve politicians will have to choose another tactical and strategical base for action. As a political plan the Mansholt Plan was a very good one because it started a lot of discussion about the CAP.

In other connections I would stress that it does not harm us as economists to have a long debate but a politician must get something through. You have to see the different positions of the decision-making philosopher studying the process and the man acting in the process. I think the politicians must take the view that it is more valuable for the Community to get a law passed than to have quite a lot of debate in the Parliament and nothing accomplished.

Regarding the criticism that my contention that the function of politicians and the general welfare do not necessarily coincide is unproven and therefore it was unscientific to put it into my paper, I would say that I can prove it, not personally. In my list of references I give the contribution of Mr. Niskanen of the United States who wrote a book about beaurocracy and representative government, published in Chicago in 1971.\* In my opinion at least he proves the contention quite clearly.

\* Niskanen, William A. Jr. *Bureaucracy and representative government* (Chicago: Aldine) 1971.