



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

GROWTH AND EQUITY IN AGRICULTURAL DEVELOPMENT

PROCEEDINGS

EIGHTEENTH
INTERNATIONAL CONFERENCE
OF AGRICULTURAL ECONOMISTS

Held at Jakarta, Indonesia
24th AUGUST – 2nd SEPTEMBER 1982

Edited by
Allen Maunder, Institute of Agricultural Economics,
University of Oxford, England
and
Kazushi Ohkawa, International Development Centre
of Japan, Tokyo

INTERNATIONAL ASSOCIATION OF AGRICULTURAL
ECONOMISTS
INSTITUTE OF AGRICULTURAL ECONOMICS
OXFORD

1983

Gower

PRESIDENTIAL ADDRESS

THEODOR J. DAMS

Challenges for Agricultural Economics in the Eighties

SOME HISTORICAL FACTS

This is the eighteenth Conference of the International Association of Agricultural Economists since 1929. It is literally a bridge between two half centuries. In 1979 at Banff, Canada, we celebrated the 'Golden Jubilee' of our Association. It was a propitious moment for agricultural economics when in 1929 Leonard K. Elmhirst, our founder President, together with leading economists of his time, explained their motives: 'to bring together agricultural economists and research methods that were of common interest, to discuss national and international problems in the field of agricultural economics and to promote a more effective and more rapid exchange of agricultural economics information'. Three years ago Denis K. Britton, President for the 1976–79 period, convincingly scrutinized the 'responses' agricultural economists have given in the fifty years that went by since L.K. Elmhirst had described the 'challenges' in 1929: 'Fifty years of Agricultural Economics – And What Next?'.

This Conference, which is held – so to speak – at the door to the second half century, is concerned with the 'and what next'. This 'what next?' has two dimensions:

- 1) We need favourable *institutional* conditions so that *our institution* – the IAAE – can develop and flourish in the future. Many of you may remember the last sentence of my 'Synoptic View' at the Banff Conference: '*Vivat, Floreat, Crescat*'. To this, something else must be added.
- 2) We need a clear-cut view of what are the main challenges for agricultural economists in the next decade. Perhaps the IAAE is the proper forum in which to come up with adequate responses. This is the *functional* aspect.

Let me turn to the first point – the institutional aspect. The challenge which faces us is not simply that we should maintain and develop the status of agricultural economics as an academic discipline or as an analytical tool for the use of policy-makers, although these are highly important. There is

also a challenge for us to strengthen our institution – the IAAE – of which we are all members. This certainly requires that we perform new styles and initiate new activities, while at the same time ensuring that the intentions of our founders and predecessors are safeguarded.

For an open and mutually trusting discussion it is absolutely essential, and for all members of the IAAE it is an inalienable right, for members to be able to speak their own minds as individuals and not as a political pressure group. Everybody is granted free access to this international fraternity, no matter where in the world we meet and wherever we might come from. In organizing Conferences, it has always been the strong desire and intention of our Association to ensure that every individual member of the IAAE can participate in our activities without any hindrance whatsoever. Generally, our host countries have respected this principle; but unfortunately we have not yet been able to achieve complete observance. It is for this reason that I have to report to you that today our assembly is incomplete. (There have been similar circumstance in Canada and Kenya before.) At this moment we are still waiting for the arrival of individual members who happen to carry Israeli or South-African passports.

Your Executive Committee, including myself, is deeply concerned about this matter, and we have done, and we shall continue to do, everything possible at the diplomatic level in order to change this situation. We are firmly determined to continue to demand acceptance of this principle here.

Let me now turn to the *second* dimension. I repeat: we need a clear-cut view of what are the main challenges for agricultural economists in the next decade. It is not my intention here to make prophecies. I would rather like, from my personal point of view, to discuss some basic issues and problems which I think will be of great importance to our work as agricultural economists in the next decade or so. It is possible that some answers can already be given at our Conference here in Jakarta. For a deeper understanding of what I think are some of the pressing issues in our profession, and of possible problem-solving approaches, it seems necessary first to reiterate the historical stages of the ‘philosophy’ of the IAAE:

- a) The agricultural sector is closely linked with the economy as a whole. This is an analytical and strategic cornerstone.
- b) Political, social and economic systems of any given society are interrelated. In conjunction they determine agricultural development and agricultural policy options.
- c) Rural development, more so perhaps than other areas, is subject to ‘spiritual, moral and social dimensions’. Such aspects often lead to ‘Country Life Policies’ (Sir Horace Plunkett, 1929) tied to a wide range of contrasting values. Agricultural economists must face this situation *vis-à-vis* their own individual values.

THE CONFERENCE TOPIC

You all have lying in front of you a copy of the carefully prepared Conference-Programme on *Growth and Equity in Agricultural Development*. Since Dr Ohkawa, our Vice President Programme, will present the outline in detail, following my 'Presidential Address', I should only like to take up some general aspects which I consider important: (a) changing conditions for agricultural growth and equity in the 1980s, (b) political and social dimensions of agricultural development, (c) the great challenge for mankind: the increase of absolute poverty, (d) the widening gap between economic theory and economic policy, (e) agricultural social policy, and (f) environmental aspects.

(a) Changing conditions for development

In the three years since our last Conference, both domestic and international economic conditions for growth and equity in rural development have changed significantly. This situation is not without precedence for the IAAE as an academic institution, as the economic depression of the 1930s clearly demonstrated. It is useful in this context to have recourse to the Annals of our IAAE.

Max Sering, the 'Nestor' of German agricultural economics and, along with G. F. Warren, one of the then Vice-Presidents of the IAAE, concluded in 1930 and 1934 at Cornell and at Bad Eilsen, respectively, that 'the whole situation was changed abruptly after the middle of 1929 . . . the industrial boom which had developed almost in a straight line . . . came to a natural end . . . but the industrial crisis would have carried with it its own remedy if it had not coincided with the outbreak of the most serious agrarian and raw material crisis in history'. And quoting M. Sering: 'I consider it to be one of the most essential tasks . . . to awaken the consciousness of a common destiny and of international solidarity'. Finally, the changing conditions can be seen in the light of Sir Arthur Lewis's brilliant analysis of the world economy in his Elmhirst Lecture of 1979. In the meantime it appears to me, though, that we have moved from a 'limping world economy' to a 'world economy on crutches'.

Now, what have been the most important changes? (i) The world-wide recession, sometimes regarded the worst since the 1930s, has stricken industrialized countries as well as semi-industrialized and developing nations. An upswing can nowhere be detected. (ii) The world-wide recession exerts a tremendous impact on the extent of rural change and its direction. (iii) In some parts of the world, particularly in sub-Saharan Africa, agricultural production *per caput* is stagnating or at least is not sufficient for food security. Or, in the words of Günter Grass: 'Here the stork is faster again than the plough.' A decade ago, this was different. (iv) The indebtedness of the developing countries has increased drastically. This also applies to some industrialized countries. Debt service has become the most serious problem for many developing nations – interest payments alone are in the region of \$50 billion. This reduces the investable surplus

and subsequently also the rate of growth. The western industrialized countries face severe economic problems domestically. Their debt ratios have also risen and interest payments exhibit the highest growth rates in terms of their share in the national budgets. Most of these countries find it increasingly difficult to meet their targets for development aid. Thus the Third World faces a two-pronged pressure. (v) Rising energy costs and low prices for many primary exports directly affect agricultural development in Less Developed Countries (LDCs). The pressure on structural change, agricultural production and rural living conditions is stronger now than ever since World War II.

The main topic of our Conference is *Growth and Equity in Agricultural Development*. As agricultural economists we have learned what contributions the agricultural sector can make toward economic growth and how overall economic conditions affect agriculture. We have considerable evidence, drawn from extensive empirical research, that fast economic growth adversely affects the distribution of agricultural incomes. But we clearly lack the necessary insight into what the differential impact of a lasting economic slump is on agricultural incomes and agrarian structures.

In 1920, our academic 'ancestors' devoted their Cornell Conference exclusively to 'Depression and Agriculture'. I am certainly no pessimist, yet I think it is opportune now for us agricultural economists seriously to consider: (i) what implications growth rates close to zero have for production and equity in agriculture and for the future of rural areas in the world, and (ii) whether alternative definitions of 'growth', which include quality and environmental aspects, might not provide more useful concepts for agricultural development. It appears to me that we may have to move away from some of our sophisticated theoretical models in order for agricultural economic research to come closer to reality.

(b) Political and social dimensions of agricultural development

One often hears the charge against economists that their models are so 'pure' that they cannot make a direct contribution to solving problems which exist in reality. This may be true for the relation between pure theory and real policy, and possibly more so for the intricate relationships between economic, social and political factors. Generally, we derive models by leaving political and social factors out, we treat them (unrealistically) as given. It is, however, methodologically unacceptable to base planning methods on preconditions that depend on magnitudes contained in the objective function. With such questionable procedures we arrive at conclusions, for example that factor prices (or the rates of interest) determine the choice of technique. That is not enough. The real determinants of growth and equity that lie behind this are obscured from us. There is no such thing as a 'purely economic' problem that can be settled by pure economic logic.

Political interests and political prejudice are definitely involved here. There are quite a number of political constraints which impede social and economic progress among rural people and which prevent a just distribution of income. We should make this point explicitly clear. Ill-distributed

economic and social power is so apparent in some countries that fear and repression instead of spontaneity and action govern the lives of large segments of the population.

A vital precondition for rural development 'from below' to become effective is that human rights are guaranteed for every member of the society. Human rights include the right to self-fulfilment, the protection of life, political freedom, satisfaction of basic needs, and participation in the social and political decision-making process.

Such considerations are by no means theoretical, for – as Joan Robinson put it – 'independent economists ought to be speaking up on the side of humanity'. Reality shows us that peasant revolutions and rural uprisings often occurred because ruling classes denied the material guarantee of formal human rights. In other words, the violation of human rights paves the road for radicalism. In an environment where human rights are not observed, the prospects for agricultural growth and for improving rural living conditions are unfavourable. This means that every rural development policy must also incorporate human rights elements.

(c) Rural poverty – the great challenge

In my 'Synoptic View' of the 1979 Banff Conference I underlined two points in this context: (i) in tackling the problem of absolute poverty in rural areas of the Third World we are doing so in line with the history of our Association. We should recall that in 1921 L. K. Elmhirst undertook 'one of the earliest attempts at community development' which 'soon dispelled any doubts that disease and lack of technical knowledge, leading to poverty, lay at the root of the decay of Indian village life' (J. R. Currie, 1964); (ii) Because of generally unfavourable conditions for development, malnutrition and poverty have spread further since our last gathering in 1979. According to the latest World Development Report 'the outlook for reducing poverty has worsened along with the prospects for the poor countries'. In 1980 750 million people lived in absolute poverty. If no favourable changes occur, this number will have risen to 850 million by the end of this century, half of whom will be suffering from starvation. This situation is not only an economic problem. It should also be seen in its ethical dimensions.

What then should agricultural economists focus their work on?

1 We must design realistic strategies for agricultural production and rural development. Neither wishful thinking in Utopian concepts nor stumbling ahead in incremental, non goal-oriented changes is adequate in any way. Nor is it sufficient for development and progress merely to meet the minimum conditions for the whole economic system to survive. For a better solution of the pressing problems, agricultural economists should rather turn to concepts that could be labelled 'mixed scanning' (A. Etzioni). Such an approach combines both step by step improvements and far-reaching changes of decisive elements of a given economic system. In this way the disadvantages of the other strategies mentioned can be avoided

without being overambitious.

2 The dilemma in rural development is obvious: on the one hand, overall agricultural growth does not benefit the poor masses. On the other hand, strictly poverty-oriented projects are very expensive and generally of limited effectiveness. Budget constraints force us to tie our tool packages carefully. Several critical areas of priority can be identified. We must:

- (a) eliminate the constraints which in the past have prevented economic growth from trickling down to the lowest strata of society;
- (b) apply measures which combine growth with equity elements in favour of the rural poor;
- (c) apply basic needs strategies only after options (a) and (b) have been exhausted and only if capital accumulation will not be adversely affected.

3 Despite some opposite opinion, I think that the concept of Integrated Rural Regional Development should seriously be considered a candidate for effective approaches, as it is a strategy of the mixed-scanning type I mentioned earlier on. IRRD is a demanding approach in that it requires truly interdisciplinary research and implementation. It clearly focuses on the participation of target groups and views project activities as the basis for creating a 'movement' and establishing autonomous local institutions in support of a 'development from below'. Adequate decision-making 'from above' can help create a climate favourable to such changes. In my opinion 'Redesigning Rural Development' should be analyzed in this light.

4 The extent of poverty in the world should not discourage agricultural economists. Neither should the complexity of the problem. Since WCARRD in Rome, 1979, virtually all countries have officially subscribed to a concept that is practically equivalent to integrated rural development. It is now up to us to work out alternatives for a successful application of this strategy. However, this also requires a political commitment which thus far has been lacking in many cases. Lack of political commitment on the part of the recipient countries has also led to increasingly critical assessments of the current system of development aid. Gunnar Myrdal, formerly an active supporter of development aid, has in recent years become increasingly critical of the present form of aid. The Nobel Prize Winner presents 'Relief Aid instead of Development Aid' as a new line of aid policy.

We agricultural economists must now demonstrate that rural development is economically and socially efficient at the grass roots. Gunnar Myrdal's judgement on the impact of conventional aid policies may be justified – in any case it also declares economic research and policies toward international development bankrupt.

(d) Shortcomings in economic theory

It is very difficult in economic theory to 'formulate answerable questions about reality', but this also saves us, on the other hand, from formulating questions that cannot be answered. A typical example can be drawn from the area of 'growth and equity in rural development'. Economic theory has a

lot to say about the determinants of growth and about how growth affects the sectoral, regional and size distribution of income. The reverse functional relationship, however, as to how the distribution of income affects growth, has received far less attention in economic reasoning. This to me is one of the big unfinished problems on the way toward more rational agricultural and rural development policies. It would be too simplistic and also too dangerous to state with welfare economics that interpersonal comparisons with respect to income distribution are not possible.

A redistribution from upper to lower wealth groups may well lead to positive growth effects by way of intensified production as well as effects from the demand side. Such theoretical findings directly affect policy decisions with respect to, say, relationships of the Kuznets curve type. We should keep in mind, however, that especially in developing countries the distribution of income may become more uneven because the availability of modern techniques and the incentives for their application are also distributed unevenly (World Bank, 1980). Thus the Kuznets curve is no 'iron law', but a challenge for economists and policy makers to minimize negative repercussions in the course of development, particularly in the case of small farmers in traditional agriculture.

There exists a theoretical argument that a highly skewed distribution of income may be necessary for economic reasons because it helps – through higher capital accumulation – to create additional employment. Such an argument is totally unacceptable, not only for social reasons but also for its dubious economic reasoning, in the case that a highly unequal distribution of power exists.

(e) Social aspects

Growth and equity in rural development is closely connected with social policy. During the last two decades or so both capitalist and socialist industrial countries have put great emphasis on their social policies in favour of agriculture. Social policy has become an integral part of agricultural policy, that is there are government transfer payments that improve the living conditions of rural families. Such non-market incomes are also important in their impact on structural adjustment processes in agriculture.

In many developing nations modernization policies for the agricultural sector increasingly threaten to destroy traditional forms of social security without there being new modern institutions to replace them. Today we still lack hard empirical evidence on the impact of alternative systems of social security on agricultural development.

(f) Agriculture and ecology

Similar comments can be made on the relationship between agriculture and the environment. Keith Campbell, our third Elmhirst Memorial Lecturer, has just pointed out that this complex set of problems should not be left exclusively to non-economists and that there is a tendency in this area to exaggerate things. Theodore W. Schultz, the first Elmhirst Memorial

Lecturer (1976), also convincingly argued, in a speech delivered to the US Agricultural Council this year, that soil erosion has declined in recent years because of higher unit yields that have prompted a reduction in the area cultivated.

This of course is only one side of the coin. There are many case studies from other parts of the world indicating that the opposite holds true. Rising energy prices and diminishing supplies of traditional energy sources have resulted in increased soil erosion in many developing countries. Also in many developed nations, the deterioration of the quality of water and other negative ecological phenomena are largely attributed to the intensive use of chemical inputs and sophisticated machinery. Such developments are induced by the high support prices for agricultural products which characterize agricultural policies in much of the western world. These examples demonstrate how widely ecological problems can differ under the broad spectrum of environmental conditions that exist. What surprises me most about the ecological discussion is that many politicians, but also some economists, do not seem to be aware of what A. C. Pigou had to say about growth, equity and ecology in his *Economics of Welfare* of 1912. Exactly seventy years ago he presented a theory of social and private gains in which he distinguished between the marginal private product and the marginal social product. Pigou also analyzed the spatial and time dimensions of external economies and diseconomies. Forty years later William Kapp, in his classic analysis, *Social Costs of Private Enterprise*, gave an assessment of what he called 'an economy of unpaid bills'. Kapp's analysis indirectly illustrates the complexity of the interrelationship between agriculture and ecology.

In my view, therefore, there are strong indications that these methodological concepts of welfare economics should be reapplied in agricultural economics. Perhaps we will have to rediscover Pigou's thoughts on growth and equity for agricultural development.

CONCLUDING REMARKS

In preparing for this Conference and reading through the papers to be presented, I felt encouraged to include in my Presidential Address some topics which are not explicitly on the agenda. Our Vice President Programme, Professor Ohkawa, has prepared with great care an impressive conference concept and Dr Birowo, Chairman of the Indonesian National Organizing Committee, will present the Conference Theme with special reference to the host country's interests. The Conference documents also include some notes on the history of the Association. What is not included is the '*codex de bonne conduite*' for the participants, which a conference President usually phrases in his own peculiar way. I have a few examples for you.

In 1929 at Dartington Hall, his estate in Devon, Leonard Elmhirst greeted his guests by saying 'we are gathering together as a family party

rather than as a group of specialists'. In 1934 Max Sering said 'we have here no other duty than to seek for truth and with all frankness to express what we have – after conscientious examination and self-criticism – found to be true; there is only one obvious limit which we must set ourselves, proceeding immediately from the respect due to the individuality of every people'. Elmhirst said in 1929 that 'our members are all individual members entitled to speak their own mind'. And D. K. Britton in 1981 said that 'the IAAE is neither a pressure group nor an action group. We have not come to Banff to pass resolutions, nor to organize some dramatic piece of world-wide collective activity'. I have nothing to add to these statements.

The most important ingredient for our 'highly sophisticated' discussions during this our family party will be an atmosphere of good will, so that an earnest crossing over of ideas can take place and so that all members will carry away with them a stimulation of mind and emotion and of friendship. Since the very beginning of our association such an atmosphere has been the key to success. In 1929 Elmhirst told his guests: 'For the time being make Dartington your home.' I am sure that the hospitality extended to us here will create a similar atmosphere. So I feel inclined to say that for the time being 'make Indonesia your home'.

In the many discussions that I am sure will come up during these ten days, I hope that all of you will bear in mind a word ascribed to John Maynard Keynes: 'Nobody knows how wrong one can be, thinking only by oneself.' With this in mind I am positive that the Eighteenth Conference here in Jakarta will be a milestone in the history of agricultural economics.

I wish you all a successful conference.