

Review Comments of Selected Papers Presented at the AAEA Meetings in Salt Lake City

Reviewer: Stephen Devadoss

The Implications of an Export Tax on Sectoral Growth: A Case In Pakistan

By

Darren Hudson and Don Ethridge

This paper examines the effects of flawed policy of cotton export tax implemented by the Pakistan government on cotton sector and also on yarn sector. The results of the simulation studies show that this policy had, as expected, negative effect on the cotton farmers. However, this policy did not generate the intended positive effect on the yarn spinners, which is not expected and very well highlighted by the study. This paper clearly brings to light some of the flawed agricultural policies undertaken by developing countries, which taxes farmers at the expenses of manufacturers.

The paper needs some clarification on a few issues. First, the two pricing systems mentioned in the paper do not clearly refer to which two prices the authors are referring to. Is it the domestic price, which is different from the free market world price due to the export tax and the world price? Second, the authors assume that the change in real output primarily comes from the change in capital via profit changes and the cotton acreage. In a subsistence level of farming it is difficult to conceive changes in profit will be fully reflected in capital. In general, changes in profit either go to consumption or purchase of more land, and very little is invested on capital. Third, rental rate does change significantly in response to price, output, or profit changes. However, the authors assume that the rental rate are constant when profit changes.

Economic Boom, Financial Bust, and the Fate of Thai Agriculture

Was Growth in the 1990s too fast?

By

Ian Coxhead

This paper examines the adverse effects of Thailand's economic boom on agriculture; in particular, on land and labor use changes. This study correctly identifies that much of the economic growth in Thailand was financed by borrowing in short-term international money markets and the economic bust was accelerated rapidly by the withdrawal of financial assets by the foreign investors.

The short lived economic boom notwithstanding, migration of labor out of agriculture and relative decline of the contribution of the farm sector to GNP are common features of a industrialization process. Under such conditions, an analysis of the agricultural output growth will give a complete story than focusing only on changes in land and labor use. For instance, the agriculture sector is likely to benefit through mechanization and augment the productivity as the country advances through industrialization. The paper often describes that there is a "rapid agricultural decline" in Thailand, which seems to indicate that agriculture is experiencing negative growth, and thus, it may exaggerate the true picture. It is true, as one would expect, that the growth of agricultural industry is less than that of the growth of the rest of the economy, farm sector did not exhibit any negative growth.

The data section indicates that data were collected from four regions and Bangkok. However, the empirical results did not present any regional results. On page 6, there is a discussion of the coefficient of non-agricultural productivity growth, which is not found in the estimated results in Table 2. From the discussion on a page 6, the computation of short-run and long-run elasticity estimates using the empirical equation is not clear.

Bringing Spatial Relationships Back in to Market Integration Studies:

A Multivariate Approach for the Brazilian Rice Market

By

Gloria Conzalez-Rivera and Steven M. Helfand

This empirical study uses multivariate cointegration approach to analyze rice market integration among the states in Brazil. This paper clearly identifies the problems associated with the previous studies which estimated cointegrating relationships of a variable in a pair of locations. This study also estimates the extent, pattern, and degree of integration in the Brazilian rice market, which lends itself to an analysis of the nature of disequilibrium.

As with most of the time series studies, this paper does not deal a whole lot on the economic implications of the results. Any discussion of what the results entail for rice marketing in Brazil or policy implications related to production and distribution will be useful. The sub headings (Percent of National Production) on Table 1 seems to be misleading. From the discussion on page 6, the numbers on the first three columns of Table 1 is the difference between a state's share of national production and its share of national consumption. On page 9, there is a discussion about the graph of the profiles; however, there is no graphs presented in the paper.

Trade Implications of Timber Certification in the European Union

By

Jennifer Stevens and Marinos Tsigas

This study uses a modified GTAP (Global Trade Analysis Project) model to examine the effects a European Union timber certification scheme on world forest product market.

Specifically, this paper generates empirical results of this scheme for changes in forest product prices, land rents, trade, and production of major exporters and importers.

The specific comments on this paper are follows. First, the nature of this study is such that the authors are forced into making numerous assumptions because of lack of data and precise information on the European Union timber certification scheme. The authors admit in their conclusions the limitations of this study arising from the large number of assumptions. Second, for readers not familiar with the GTAP model, the empirical and simulation analyses are very much a black box procedure. Finally, it is not clear from the study to what extent consumers are aware of and prefer the certified forest products over uncertified forest products.