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Book Reviews

EC Agricultural Policy for the 21st Century, European Economy, Report No. 4, EUROPEAN COMMISSION (1994), (Office for Official Publications of the European Community, Luxembourg), Pp. xviii + 152, ISBN 92-826-8837-2.

A blueprint for European Community (EC) agricultural policy in the next century set out in a handful of pages — such an ambitious task is normally the domain of United Nations conferences and reports. Yet if this task could be achieved, then the expert group of 12 agricultural economists assembled to prepare this report has the breadth of interests and skills to achieve it. Drawn from a range of academic, research and bureaucratic organisations, the group represents a well-balanced mix of modellers and policy analysts. Economists in the group are all highly respected and cover the mix of EC countries, coming from its larger and smaller members, its northern and southern members, and from the new and more established member countries.

The report contains a blunt message for EC policy-makers. Despite major reforms in 1992, EC agricultural policies are not sustainable. Members of the expert group have been strong and independent advocates of past reform to the Common Agricultural Policy. Why then would the European Commission sanction the study and publish it in one of its official publications when it is bound to ruffle feathers in Brussels? The answer lies in the Commission's desire to advance agricultural policy reform and the need to foster external debate to overcome difficulties with supranational decision making. Nevertheless, the editors of *European Economy* are careful to distance the Commission from the report as many of the findings will be unpalatable for policy-makers in the EC.

Couched in concise and general terms, the group's blueprint for reform is to extend the 1992 reforms to include all commodities, to decouple the area and headage payments, to shift more responsibility for environmental and social measures to member countries, and to remove the quantitative restrictions. A central theme throughout the report is a move away from price support to more targeted support instruments.

The appendices, and a separate report that contains individual papers from the expert group, set out the rationale for the recommendations. Prepared by the two 'rapporteurs' of the group, Munk and Thomson, the appendices form the bulk of the report. Although the appendices supposedly collate information from the group and their background papers, readers familiar with the work of Munk and Thomson will recognise much of their analysis in them.

Painting a picture of structural change that is common to agricultural sectors in many developed countries, the first appendix also

highlights the peculiarities of the EC case and identifies where average EC figures mask the developments in individual member countries. The rapid rate of outmigration in the EC agricultural sector despite the high levels of support may surprise some readers. Labour mobility and the opportunities that exist off-farm lead the group to question the significance of agricultural price policies compared with measures that target farm household incomes directly.

A handy classification of the economic impacts of support according to the type of economic cost and whether they are direct or indirect appears in the second appendix. It serves to remind us that there is a trade-off between the well-known distortionary effects of price support and the sometimes-overlooked transaction costs associated with direct income support. Following-up this theme, an attempt is made in the next appendix to explain EC agricultural policy drawing on the theories of public finance and public choice. The approach rationalises the use of price support in the formative stages of the Common Agricultural Policy, but argues that subsequent developments have made it less appropriate and that this is behind the moves to more direct support measures. The positive orientation of this part of the report in outlining where EC agricultural policies *are* heading sits uncomfortably with the normative thrust of the whole report of where EC policies *should be* heading.

Despite the wealth of modelling experience in the expert group, little model analysis to support the recommendations appears in the report. Specifically, only one new scenario, 'decoupled compensation', under a restrictive set of model assumptions is presented. The papers in the companion report undoubtedly report the results of other model scenarios. However, the compilers of the main report need to be congratulated for placing the modelling effort in its proper perspective, namely as being illustrative of the impact of particular model parameters rather than being able to predict the outcome of various policy scenarios.

Few would debate the general findings of the report, and its aim of promoting debate about the future of EC agricultural policy in circumstances other than crisis management is admirable. But what can the report offer readers of this journal? Certainly it provides a benchmark to make an informed assessment about the next phase of EC policy reforms. However, the report also has much to offer in the background material. Members of the Australian Agricultural Economics Society are fortunate to have been so well informed by the annual reviews of EC agricultural policy in the *Review of Marketing and Agricultural Economics*; reviews that hopefully can survive restructuring of the Society and its journals. These reviews dealt with the key issues that arose in the particular year. This report adds to readers' understanding in providing a longer-term overview of the issues central to developing agricultural policies in the EC.

The report will not captivate all readers. Convincing cautious policy-makers of the need for further reform lends itself to tedious, considered and repetitive analysis. Yet the report is essential reading for those with more than a passing interest in EC agricultural policy. It highlights the thinking of key European agricultural economists about agricultural policy reform, and provides invaluable background material for readers less familiar with EC agricultural policy.

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Sacred Cows and Hot Potatoes, by WILLIAM P. BROWNE, JERRY R. SKEES, LOUIS E. SWANSON, PAUL B. THOMPSON AND LAURIAN J. UNNEVEHR (Westview Press, Boulder, 1992), pp. xiii–151, ISBN 0-8133-8558-X.

For some time now Australian based observers of US farm policy have taken the view that the best, if not the only, way of securing reform in US agricultural policy would be for the American voter — and farmer — to realise how expensive and counter-productive this policy is. Such an approach it is said, is bound to be better than cries of ‘not fair’ and other whingeing based trips to Washington.

A US book with the title *Sacred Cows and Hot Potatoes, Agrarian Myths in Agricultural Policy* would seem to be a good start to doing that job, and up to a point it is.

This book, by four American academic agricultural economists and an American sociologist, identifies and debunks eight myths held to underpin most wrong headed American agricultural policy in the US.

The first chapter identifies themes and target audience — the themes are about prevailing agricultural myths and the audience is the American public. Chapter 2 is about the values which underpin views that agriculture and farmers are ‘special’. A nation of farmers was held to be better than a nation of traders. The carry over of such thinking which applies today is held to warrant a special place in the policy run because farmers are either a ‘safety value necessary to preserve individual liberties’ or a repository ‘for family values and hence for traditional ways of defining personal loyalties within a framework of community’.

The authors demolish this kind of material effectively enough. In the first instance, nobody believes these ideas any more and second, even if they did most contemporary farm policy does not meet the implied objectives of preserving farmers from economic forces.

Chapters 3 to 10 are about the eight myths the authors see underpinning bad agricultural policy.

Chapter 3, the first myth is about the confusion between farm policy and rural policy. Chapter 4 is about the myth of the ‘average farm’ and

with that the fallacy of basing policy on the virtually non-existent average farm. Myth number three involves the distinction between production and productivity. The fourth myth, namely that supporting farm prices is an effective way of supporting incomes is exposed in chapter 6. Chapter 7 explains why developing policies which ignore US interdependence with the international economy are bound to come unstuck. Myths six and seven are about 'new agenda' agricultural issues — the environment and food security. Finally myth eight tackles the notion that government action and regulation will solve all problems.

The myth busting is generally sound with arguments based on identifying instruments, objectives and second round effects. It is tempting to say these issues are well understood in Australia as a result of many years of open debate. And certainly some of the myths tackled would seem pretty easy meat. However, given the recent run of bad seasons and bad prices in Australian agriculture there are bound to be continuing pressures for bad policies. The policy lessons driven home in non-technical lay terms are all sensible enough. For example:

- agricultural assistance along with good prices tends to get capitalised into land values;
- when designing policies around identified market failure do not forget the likelihood of government failure;
- high marketing margins are generally not necessarily 'bad' for farmers; and
- export subsidies and promotion are costly in relation to results.

Guidelines for policy reform are provided in chapter 11. Some are entirely sensible, if also entirely obvious.

Insist that farm program benefits, if they continue no longer be tied to production.

Determine food programs for the hungry and disadvantaged on the basis of need not on the basis of farm program goals.

Some guidelines are more like wishful thinking.

Recognise the need for institutions that can help farmers manage risk in a way that does not influence land prices or production.

And other guidelines are self-evident truths.

Recognise that there are conflicting objectives.

Recognise that farm size, location and economic circumstances influence who gains and who loses.

A good title, relevant lessons explained in a non-technical manner and reasonably sensible guidelines — what more can one ask? For all the good things going for it *Sacred Cows and Hot Potatoes* does not quite make it for this reader. Despite the packaging, content and style,

it is not a book I would recommend to teachers, journalists, government officials or politicians.

Why not? One reason is that the myths are just a bit old — their exposing may have been a revelation for people in Australia 25 years ago — now it seems to me that in Australian policy discussing the myths tackled in *Sacred Cows and Hot Potatoes* do not have much currency. This leads in to a second reason for being lukewarm about the book. It is just a bit too agricultural. Policy objectives tend to be assessed in terms of what they mean for farmers and not what they mean for the economy as a whole or the public at large. Finally it is not clear how well the myth demolition approach works as a vehicle. One problem is that the authors appear to like some of the myths. That may be, as any myth with legs usually does have some substance to it. But in setting something up for demolition and then leaving it half intact leaves readers just a little confused.

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Risk Analysis in Dryland Farming Systems. By JOCK R. ANDERSON and JOHN L. DILLON. (Food and Agriculture Organisation of the United Nations, Rome 1992).

This offering from Anderson and Dillon is a handbook for risk analysis of dryland farming systems especially in less-developed countries. It outlines some methods of risk analysis and sets out brief guidelines for including risk in policy analysis. Throughout the book the authors have dealt with the issue of risk within the expected utility framework. In their own words they have used this theory 'warts and all' for the sake of consistency and because they 'have yet to encounter a more satisfactory and simple framework for considering farmers and risk'.

The book aims to raise the awareness of decision makers to the importance of risk in agricultural systems of less-developed countries. The authors have targeted analysts who may not be economists but rather are research managers, policy analysts or development planners. The book describes procedures and methods for dealing with risk in the design of projects, programs and policies. In my experience with planners and policy analysts, sections of this book dealing with analytical methods will be particularly challenging for them, especially if they have limited access to other sources of information and literature.

The presentation quality of this book is ordinary. The reviewed version is 109 A4 pages. It has a very simple layout and design. Its figures and tables are basic. It lacks an index and a glossary. I would like to think that this was a deliberate intention to keep the price down.

Some sections of this book will be hard reading as the authors have attempted to be concise while tackling a complicated subject.

The book starts with an introduction describing the sources and significance of risk for farmers and pastoralists. It moves on to describe risky situations at the farm level through to the government level. A chapter on some methods of analysing various types of risk concludes with a description of ways to mitigate risk. The final chapter focuses on allowing for risk in agricultural projects and policy making.

The first chapter of the book divides agriculture into five major subsystems called; Materials management, Financial management, Extension and education, Research and Bureaucracy. It then describes how risk may influence decisions and activities in these subsystems. A brief exposition of the importance of the risk attitude of decision makers is also provided in this chapter.

Chapter 2 begins with a discussion of various categories of risk such as climatic, biological, economic and socio-political risks. Various approaches to agricultural risk management by producers, marketers, financial institutions, insurers and governments are discussed at some length. Shortcomings of management and policy analysis techniques which do not account for uncertainty are described. In this chapter there are also some guidelines for government workers who deal with risk management. A sizeable section of this chapter is devoted to a rather technical, mathematical analysis of producers' supply response. This section is an exposition of a stochastic supply function. The final section in this chapter deals with social welfare and risk in planning. Without access to many papers referred to in this section the reader will be left with, in the words of the authors, 'a cryptic' flavour of accounting for risk in this context.

Chapter 3 introduces the general concepts in analysing risk at the farm level. The approach is to analyse the choices of a decision maker who is maximising subjective expected utility. This chapter describes methods of accounting for the decision maker's perception of riskiness of events or products and measuring their attitudes towards risk. It also gives an introduction to discrete and continuous subjective probability distributions. Utility is explained in some detail. The reader is shown how to calculate gross margins after allowing for certainty equivalents and risk aversion coefficients. There is also a section on comparing gross margins of crops using stochastic efficiency when elicitation of decision makers' risk preferences is not practical. After reading this section I was left wondering how many research managers or development planners without economic qualifications are likely to fully grasp its contents. This chapter concludes with a much less mathematically demanding exposition of methods producers (or those who assist them) can use to mitigate risk.

The fourth and final chapter looks at management of risk at the project, programme and policy levels. The first section outlines practical approaches to making adjustments for risk in public projects.

Some recommendations are given on accounting for environmental variability when designing and drawing conclusions from agronomic experimentation. The authors then suggest some practical and simple approaches to test the effect of modifying a component of the farming system on income stability. This chapter concludes by discussing dilemmas of policy makers who need to make decisions on social and economic issues within the constraints of natural resource management under uncertain environmental conditions.

In conclusion this book is a useful addition to the literature that describes the practicalities of risk analysis in agricultural systems, particularly in the less developed countries. Whether the book will be appropriately understood and applied by non-economist managers and advisers only time will tell, but I have my doubts.

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Methods for Development Work and Research: A Guide for Practitioners. By BRITHA MIKKELSEN (Sage Publications, New Delhi, 1995). Pp. 296, ISBN 0-8039-9229-7.

Britha Mikkelsen is a Danish sociologist who has worked as a consultant with a number of international agencies in Asia and Africa. Her book is mainly devoted to descriptions and discussion of the emerging range of participatory approaches to development studies and work. These methods, known by such names as 'rapid rural appraisal', 'participatory rural appraisal' and 'action research' have been increasingly advocated and applied in field studies in development, sometimes in conjunction with more formal survey methods, and sometimes as alternatives to formal surveys. It is timely that a book should appear that provides a description of these methods and a comprehensive introduction to the expanding literature about them.

The target readership is development researchers, planners and practitioners in both the South and the North. It will also be useful for students in development studies courses; for some such courses it could well make a useful prescribed text. The discussion of the methods is more balanced than in some of the more 'evangelical' writings of authors who seek to persuade their readers that the only way to solve the development problems in LDCs is by using their own latest version of some approach to participation, data collection, or both.

After a couple of introductory chapters, there is a rather comprehensive discussion of the concept of participation in Chapter 3. This is followed by four chapters dealing with four different aspects of participatory rural appraisal (PRA) methods; use of indicators and semi-structured interviews, ranking, scoring and the use of maps and diagrams, analysis of poverty and gender, and methods for monitoring

and evaluation. There is much that is useful here. The author discusses the nature of the methods used, the reasons why they are used or promoted for use, how they are best used, and then summarises the useful lessons that come from experience. There is much of value here that even experienced development workers might learn from.

These chapters on method are followed by a key chapter in which the author addresses some of the weaknesses and strengths of PRA methods. Unfortunately, this chapter is disappointingly brief. It addresses the weaknesses to a greater extent than the strengths, but perhaps this is sensible given that the previous chapters describing PRA methods might have left some readers with a too optimistic view of them.

The author rightly draws attention to the need for field workers to acquire the aptitude to act as facilitator if participatory methods are to be used successfully. While there are techniques to be learned by would-be facilitators, there are also many pitfalls, especially when working across cultures. While techniques can be learned, maybe not everyone can develop into an effective facilitator, suggesting that attempts to institutionalise PRA may confront problems unless managers have remarkable skills in selecting the right staff for the job.

Particularly important in the eighth chapter is the section on sampling, biases, reliability and validation, including a useful treatment of triangulation. As noted in the book, these are concepts that apply as much to formal as to informal methods. It is remarkable how seldom reports on data collection include any discussion of the results of triangulation. Yet such triangulation results usually offer the only basis for users of the study to assess its reliability.

In Chapter 9 the focus is turned mainly on more conventional research methods. The author's position is that the newer PRA methods are complementary with the more conventional approaches, and that 'methodological pluralism' is valuable, with the optimal mix of methods depending on circumstances. The author argues that the purpose of a study is a key factor when deciding on study design, but that it is also important for workers to have a good grasp of the alternatives available, both qualitative and quantitative, formal and informal. Some guidance on how to get the mix right is provided in this chapter.

The final chapter in the book, Chapter 10, is perhaps the most interesting of the lot. It deals with ethical questions in development research and work. The issue of cultural bias and the kinds of misunderstandings and mistakes that it can lead to are amusingly but most effectively discussed and illustrated. Readers are reminded that a British journalist once asked Mahatma Gandhi: 'What do you think about Western civilisation?' Gandhi gave the journalist a thorough look and replied: 'I think it would be good idea.' The author uses this often-quoted exchange to illustrate the concept of cultural identity — the difference between 'us' and 'them'. She uses this as the entry point for a useful discussion of the gulf in perceptions that can exist between

development workers and their clients, especially when the development workers come from a Western background. She then addresses a range of fascinating ethical issues that confront (or should confront) any one working in the development field. For example, when are covert methods of investigation legitimate? Should field workers intervene to help subjects even if such intervention may compromise the research objectives? Never? Only in extreme circumstances, such as when lives are at stake? Or should all research be action oriented to improve the circumstances of the target group, regardless of so-called scientific objectivity?

Good features of the book include the clear style and the extensive use of boxes, containing entertaining and often thought-provoking examples or stories. Less pleasing was the layout. The book was printed in India, presumably to be able to sell it at a cheaper price that might be afforded by more of the intended readership. That was a good idea, even if the quality of the paper, print and artwork are not as high as might have been attainable elsewhere. My complaint, however, relates to the page layout. The use of wider paper than is used in many modern books, combined with narrow margins and a fairly small typeface mean that the lines are too long to scan easily, especially in the boxes, which are in still smaller type.

As mentioned, this is a book written by a sociologist, and the author's disciplinary bias inevitably shows, despite her best efforts to take a broad interdisciplinary stance. Some agricultural and resource economists may feel that there is too much emphasis on 'soft' social science and not enough on 'hard' economic issues. But to dismiss the book as not useful on these grounds would be a serious mistake. Mikkelsen offers many insights that would be valuable to any economist undertaking field work in development, including studies in Australia.

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