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BOOK REVIEWS

Trade, Exchange Rate and Agricultural Pricing Policies in the Philippines. By PONCIANO S. INTAL, JR, and HOHN H. POWER. World Bank Comparative Studies: The Political Economy of Agricultural Pricing Policy. Washington, D.C: World Bank, 1990.

One of the criticisms often voiced of the Aquino administration in the Philippines is its lack of political will in legislating and implementing economic reform. Both the right and the left have attacked the regime for allowing short-run political imperatives to dominate the economic policy agenda. Intal and Power's study shows that the Aquino administration's vacillation on important issues is consistent with postwar Philippine history. In analysing the political economy of agricultural pricing policies in the Philippines from 1960-86, this book provides a perspective on this feature in the development of an archetypically 'weak' state.

The Intal and Power study assimilates and in places extends existing knowledge of the effects of price interventions on agricultural production and growth in the Philippines. The book is structured so as to begin and end with the wider political economy view; however its bulk focuses more narrowly on the measurement of particular economic phenomena.

Thematically the study falls into three sections. Chapter 1-3 provide overviews of Philippine economic history, development strategies, trade and macroeconomic policies and agricultural pricing policies. Chapters 4-9 assess the nature, extent and influence of policies affecting agriculture in both direct and indirect ways on broad indicators such as output growth, consumption and income distribution. These chapters also include a compendious and very useful collection of data, tabulated over 176 pages. Lastly, Chapter 10 discusses the political environment in which particular policies flourished, and traces the effects of those policies in creating new permutations of the political order — and of dissent and insurgency — under former president Ferdinand Marcos (1965-86).

The first two chapters cover well-trodden ground. Since 1949 the Philippines has pursued a relatively inward-looking development strategy, with a 'cascading' tariff and quota structure according greatest protection to finished consumer goods and least to imports of raw materials and capital goods. The key peso-US dollar exchange rate has traditionally been defended at a level widely agreed to be substantially lower than its shadow rate. This mix of trade and exchange rate interventions has given rise to what many regard as a classic example of a rent-seeking society. Concern by successive administrations to

avoid any narrowing of their political base ensured that many 'temporary' trade controls and industrial subsidies introduced since 1949 became semi-permanent. The current tariff reform program (known as Executive Order 413 or E0413), presently languishing before the Congress, is only the most recent victim of a well-organized and influential industrial protection lobby.

Agriculture has been arguably the major sectoral loser from industrial protection. In Chapters 3 and 4 the authors compute several measures of the net protective rates of the major agricultural crops (rice, corn, sugar and coconut) implied by commodity market interventions, tariffs and quotas, and exchange rate overvaluation. Their estimates show in some detail how, over the two decades to 1982, direct interventions in favour of agriculture were more than offset by policies which indirectly reduced the prices of agricultural relative to non-agricultural commodities, and which taxed the production of exportables in order to subsidise the import-substituting manufacturing sector. Between 1960 and 1982, exchange rate overvaluation alone reduced the peso value of agricultural exports by about 20%.

The activities of a government attempting both to promote economic growth and to appease rent-seeking monopolists and quota-holders are bound to display internal inconsistencies. Chapter 5 and 6 relate agricultural pricing policies to government revenues and outlays. Sectoral data suggest that non-price interventions in agriculture — government investments in irrigation, for example — increased dramatically as a proportion of agricultural value added over the last three decades. Most of these expenditures — investments in rural infrastructure, irrigation, and technical progress — took place in the rice sector, and directly served the important political goal of national self-sufficiency in that commodity. As with the net protection story, however, this expenditure on agriculture was more than recovered by means of price interventions in the form of commodity price ceilings, export taxes, protection of domestic industries producing tradeable inputs, and exchange rate overvaluation. Intal and Power estimate that the net annual resource transfer from agriculture to government averaged 18-24% of gross value added in agriculture (2-3% of GNP) between 1960-82.

The measurement of net protective rates and budgetary transfers should provide the basis for an illuminating analysis of the effects of pricing policies on the absolute and relative welfare of different groups in the Philippine population. On this important issue, the analysis of Chapter 7 is disappointingly thin. The chapter opens with a restatement of well-known findings on patterns and trends of income distribution in the Philippines. It continues with a potentially interesting decomposition of the income effects of various price intervention policies. The analysis is weakened, however, by fragmentary data and by an oversimplified treatment of the empirical issues. Estimates of the distributional impact of price interventions make no allowance for

agriculture sector responses — for example, price — induced crop substitution in production, or labour migration. The chapter finally bogs down in an attempt to use regression analysis to explain changes in agricultural wage rates without reference to the variables which are arguably their main economic determinants: changes in labour supply and demand, and agricultural technology. This exercise in econometrics without theoretical foundations does the authors no credit and produces no sensible conclusions for income distribution or pricing policy.

The entire manuscript is blighted by errors of omission and proofreading lapses, but Chapter 7 suffers more than most. The equations on p. 143 are rendered almost unintelligible by missing and misplaced subscripts, and by references to variables for which no definition is provided.

Three subject areas of particular importance for the Philippines receive inadequate attention in this book. These are agriculture's linkages to other sectors of the economy, foreign debt, and the policy influence of so-called 'crony capitalism' during the Marcos years.

In Chapter 7 and elsewhere, the analysis pays insufficient attention to agriculture's linkages to the rest of the economy through the markets for both inputs and commodities. This is so in spite of the author's observations on the size and importance of the agricultural sector. Each of the crops with which the analysis is mainly concerned — rice, corn, sugar and coconut — satisfies at least one of the usual criteria for general equilibrium treatment: either it is a major wage good, or a significant source of agricultural income, or it accounts for a large share of the value of international trade, or it constitutes a large fraction of government revenues or expenditures (Timmer, 1986). A change in the price of any commodity satisfying one or more of these criteria can reasonably be expected to have non-trivial repercussions in other markets, which will in turn alter both the absolute and the relative incomes of households. To overlook these effects for a major commodity may produce serious biases in calculations of the effects of pricing policy. An analysis of the distributional implications of interventions in the market for major wage goods like rice and corn demands consideration of their input-output and consumption linkages.

No analysis of the Philippines economy and economic policy-making in the 1970s and 1980s is complete without addressing the role of foreign debt first in sustaining, then in demolishing, the Marcos regime's economic programs. The big increase in capital expenditures on agriculture was made possible by deficit spending financed by an international borrowing spree in the mid-1970s. Maturation of short-term foreign debt obligations was the catalyst for the economic crisis of the mid-1980s which brought down the regime (in 1986) and forced a major restructuring of economic policy under President Aquino. This study is inexplicably quiet on the issue of how deficit spending and debt accumulation affected economic policy decisions.

Lastly, in the 1970s the private interests of public figures frequently motivated economic policy initiatives in the Philippines, and to bury the fact in impersonal descriptions of legislative and administrative policy is disingenuous. In agriculture, for example, recourse to foreign borrowing helped to perpetuate the inefficiencies and loss-making investments of the state and quasi-state monopolies governing trade, storage and distribution of rice, corn, wheat, soybeans, sugar and coconut and many lesser commodities (Hill and Jayasuriya, 1985). Originally conceived as agents for price stabilization, these organizations were used by the Marcoses as vehicles for the disbursement of patronage. Accounting losses notwithstanding, these parastatals were highly profitable sinecures for the regimes political supporters. The importance of the political function served by these bodies can be illustrated by noting that in 1981 the head of the National Grains Authority (NGA), which governed rice and corn markets, was elevated to Cabinet rank, alongside the head of the Department of Agriculture. Intal and Power mention this, but the significance of the move — and the rationale for it — can only be appreciated with the knowledge that in 1981 the head of the NGA was a notorious political crony of the regime and a personal appointee of Imelda Marcos.

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Development in Practice: Paved With Good Intentions. By DOUG PORTER, ALLEN BRYANT and GAYE THOMPSON. (Routledge, London, 1991.) Pp. 247+xxi.

This is the story of a major Australian agricultural aid project — the Magarini Settlement Project in Coast Province, Kenya, 1976-89 — that went horribly wrong. The book explores the origins of the project, what it was meant to achieve, and why it failed so spectacularly to meet even its minimum goals. In the process the authors challenge received wisdom about the current practice of development, and offer alternative insights on the processes involved.

As a comprehensive study of Australia's largest aid project in Africa — it aimed to settle 4000 families, each on a 13 hectare holding, involving the initial acquisition of 60 000 hectares — in an aid area in which Australia is regarded as having a 'comparative advantage' (i.e., dryland agriculture), it is an important work. It is important too,

because this project was the result of a deliberate attempt to 'do good'. There were no complicating 'commercial' interests tied to Australian exports to Kenya, and the political/strategic interests were restricted to the feeling that Australia ought to be seen to be doing its bit in Africa. Consequently, the original focus of the project was to alleviate poverty, reduce landlessness among the Giriama people, and increase agricultural output in a sustainable way. Alas, despite good intentions on all sides, and unbounded confidence that these goals could be achieved, in each case the opposite has resulted. As an example of what not to do, the report speaks to academics, researchers and development consultants.

The authors, two Australians and a Kenyan, combine uniquely well, bringing to the book the professional skills of economics, human geography and anthropology, plus the experience of extensive involvement in development both in research and at the grass roots. All three had extensive contact with the Magarini project, either as consultants, members of review teams or through NGOs linked into the project in one way or another. Gaye Thompson has the added 'advantage' of familiarity with the Magarini region, having grown up in the area and later worked there with the Kenya Freedom From Hunger Council. Consequently, the practical approach taken in the book, plus the ease and empathy with which they examine the issues through their respective disciplinary perspectives, reflects their own experience in research as well as persons who have themselves been responsible, in the past, for the implementation of development projects through both official and non-government channels. The result is a book that not only makes effective use of project documentation, but also complements the official sources with insightful use of field research, interviews, diaries, statistics, maps and photographic evidence. The result is a most readable and lively book, as well as an authoritative document.

The four key theses proffered in this study of development are stated by the authors at the outset of their book in the following terms:

- (1) 'We believe that the failure of a great many development projects to achieve even their most fundamental objectives is due to a reluctance on the part of development practitioners to appreciate the significance of history. Projects are frequently designed as if time began with the project implementation schedule. Past lessons are seldom examined and still fewer professionals bother to enquire into the historical circumstances of the people their interventions seek to assist.' (p.xv)
- (2) '... modern development practice, in particular that which is directed towards the greater control and management of projects, is part of a broader social and political philosophy which assumes people are incapable of managing their own affairs and of making their own decisions.' (p. XVIII)
- (3) '... the recent popularity of NGOs can be attributable to northern governments' desires to by-pass what they perceive as inefficient recipient

governments, and a desire to directly incorporate intended beneficiaries . . . to the long term sustainability of the interventions.' (p. 6)

- (4) 'Indigenous knowledge and institutions are critical in the identification of appropriate technology and sustainable agricultural systems.' (p. 7)

The book examines these hypotheses in the context of the Magarini project and finds in their favour. There was indeed no attempt to learn from history, not even from the institutional memory of the project itself. At no point was there an effort to assess what indigenous knowledge had to offer the search for a 'better' farming system for the region. The response to constraints encountered during project implementation (largely seen as flowing from the Kenyan government's incapacity to provide the necessary staff and recurrent funding according to the agreed 'memorandum of understanding'), was first to tighten even further the controls that the donor sought to exercise over the project, and eventually to abandon the task to an NGO.

Alas, transfer of project responsibility to an NGO proved to be no panacea for a wrongly conceived project. The agricultural systems that were proposed as a replacement for the swidden systems of the small farmers in the Magarini area were not technologically better, and in some cases they performed much worse. It is not that the existing small-holder systems are sustainable in the long term; it is clear that they are not. But this fact does not justify the assumption that 'modern' agricultural technology is necessarily superior.

Yet this was a critical assumption that underlay the intellectual power and human capital put into the design and redesign of the Magarini project.

Porter, Allen and Thompson have produced a book that is not a litany of 'what went wrong' and 'why'. These matters are there, but there is much more beside. There is an useful discussion of the role of many economic techniques, such as cost-benefit studies, through the different phases of the project cycle. There is also acknowledgement of the political elements that enter the process, both from the donor's the implementing agency's, the target 'beneficiaries', and the recipient government's angle. The determination of both the Kenyan and the Australian governments that an Australian 'settlement project' would be implemented, and the determination with which the implementing agency sought to ensure that the project would continue once launched, overwhelmed any warnings or second thoughts from whatever quarter. Consequently, the clearly 'predictable' problems, the wisdom of local knowledge, and lessons from history were not allowed to enter the project development process. There is also a most engaging and challenging discussion of the implications of this project for the 'real' contribution that NGOs can make in official aid projects. The 'buzz' words of community development, grass roots participation, development 'animators' or change agents, sustainability, risk sharing, scaling-up, and people's needs are put under the microscope. For many

readers it is the substantive discussion devoted to these matters that will be of greatest interest and value.

Good development is difficult to orchestrate. This book tells us not only why, but offers some prescription that are no less difficult, but which offer greater probabilities of success. These prescriptions are people oriented, 'worst case scenarios'. The authors eschew the exclusive reliance of extant practice on assumptions of certainty and optimism with which traditional development project cycles are concerned. In their place they call for processes of intervention that specifically 'plan for failure', identifying contingency plans to protect the welfare of the intended target population in the event that key assumptions are not realised. This novel approach is unlikely to appeal in official circles, but it is not unknown in private industry and non-profit non-government agencies. It deserves serious consideration, just as this book deserves serious attention by all who are interested in development.

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The Economics of Forestry: Modern Theory and Practice,
ERHUN KULA, published jointly by Croom Helm of London and
the Timber Press of Portland, Oregon 1990, A\$87.95.

This is an extremely interesting and provocative book. It brings together Kula's work on social time preference, cost benefit analysis and forestry, and should prove useful to workers in all aspects of the economics of forestry.

In the first chapter an historical overview is provided of the almost complete destruction of the forests in the British Isles. It is explained how British government intervention proved completely ineffective in reversing this trend because as Kula puts it, 'the principles of discounting were badly and fatally twisted' to justify themes in the book. On the one hand foresters cannot prevent their projects from being exposed to economic scrutiny by claiming a special case, and on the other hand economists have failed in bringing the principles of public sector economics to bear fruitfully on forests which take a number of generations to mature.

In Chapter Two forestry in Canada, the United States, France, West Germany, Italy, Spain, Finland, Holland and Ireland is contrasted and ends with a summary of the current position in the EEC.

In Chapter Three is detailed analysis of a typical 1 hectare plantation of Sitka Spruce in Britain, using ordinary discounting at rates of 10, 5 and 3 percent. Forestry Commission data is used Sitka Spruce of yield class 20 (that is a maximum mean annual increment of about 20 cubic meters per hectare) on the basis of a 50 year single rotation. All relevant costs, including *inter alia*, ground preparation, planting, fencing weeding, brashing, cleaning and pruning, road construction, maintenance and the opportunity cost of the land, are considered. Benefits

are considered, from both thinning and felling, and relevant data are included to enable an accurate assessment of the costs and benefits. The result of this analysis is that such forestry projects only become viable if the real price of timber increases by more than 1½% per year and the interest rate is less than 3%.

In the next Chapter the inability of standard discounting to analyse such long term projects as this is recognised and a modified form of discounting developed by Dr Kula is applied. This modified discounting method is described as 'the sum of discounted consumption flows' and takes into account the intergenerational distribution aspect of public sector projects. Kula argues conclusively, citing Pigou and Rawls, that it is essential to take into account the life expectancy of individuals as well as the size of the population. Benefits and costs only accrue to individuals while they are alive, and for the project, aggregate costs and benefits determine whether the project is viable. The difficulty with this approach is, of course, that one does not obtain a continuously declining discount factor which approaches zero over time. Costs and benefits of a project in the distant future become important and forecasting relative prices with reasonable accuracy is, in practice, very difficult. Nevertheless Kula's technique does provide a thought provoking alternative to existing theory. The chapter includes a small computer algorithm which, under reasonable assumptions suitable to the UK, demonstrates that 10% interest results in a net present value discount factor of around 0.02 for projects of 100 years duration.

Chapter Five contains an explanation that while the modified discounting method is applicable to public sector projects, private sector forestry must continue to be evaluated in terms of discounted cash flow, net present value of indeed the internal rate of return methods. In the next chapter, using the latter, Dr Kula analyses the optional rotation rate for a Sitka Spruce plantation as a private sector project. He then proceeds to expand these ideas to determine optional rotation rates for public sector enterprises and he relates his solution to the standard concept of maximum sustainable yield. All of his data and assumptions are explicit and included in a series of tables. The text is clear and easy to follow. There are four appendices, a comprehensive bibliography and author and subject indices.

This is an interesting, if unconventional book. It is essential and worthwhile reading for students or researches in forestry economics, whether or not one agrees with the conclusions. It should be in every institutional library.

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Development Dilemmas in Rural Thailand. By PHILIP HIRSCH. (Oxford University Press, Oxford, 1990.) Pp. 244+xvii, ISBN 0-19-588968-1.

Over the past three decades Thailand has experienced high rates of growth and social change. A concomitant of this has been a concern with rural development and with redressing a growing imbalance between Bangkok and the rural periphery.

In this work Hirsch examines the development experience in rural Thailand through a focus on two villages in Western Central Thailand. After deconstructing the concept of development to show that it embodies several diverse processes, he argues that for the peasantry on the rural periphery, the experience of development has been one of incorporation in a wider system over which they have little control. He claims that while participation is a central objective of developers in Thailand, such participation allows the state greater access to and control over the lives of individuals and their communities.

Hirsch argues that this is a fundamental contradiction inherent in the notion of participatory development. On the one hand, participatory development and the incorporation of rural communities in wider society aims to give greater access to the material benefits of that wider society. On the other, as a result of state-led participatory development policies, incorporation 'as it impinges on the life of the poorer rural producers takes the form of increasing demands on his or her time, rising levels of debt, higher levels of uncertainty regarding means of livelihood, and decreased sanction over local leaders'.

This work is a particularly powerful analysis of the Thai development experience. Its strength lies in its strong and a perceptive analysis of the effects of development at village level. Here, drawing insights from social anthropology, Hirsch examines the effects of incorporative development from the subjective perspective of the villagers concerned. Overall, he is pessimistic regarding most past attempts at Thai rural development. He views them as having paid little attention to the villagers' needs, as having led to a significant reduction in individual freedoms for the majority of the peasantry and, through encouraging the increased exploitation of forest lands, as having caused significant environmental deterioration. However, Hirsch is not overwhelmingly pessimistic regarding development *per se*. He considers that enlightened developers can play an important role in the education and empowerment of the rural peasantry. Here, he suggests an increasing role for non-government organisations (NGOs), both alone and in concert with state developers. However, he suggests that the greatest potential for rural development lies in the growth of local leadership and the devolution of power and decision making to the local level.

Chapter 1 constitutes a brief introduction to the book and its central concerns. Chapter 2 examines rural development from a theoretical perspective. Hirsch argues that the concept of development subsumes

processes such as national integration, growth, capitalist transformation and urbanisation. He discusses these processes and introduces the theme of popular participation as it relates to the incorporation of peripheral rural communities. Chapter 3 contextualises the study through an examination of the settlement of Thailand and subsequent agricultural expansion. In Chapter 4 Hirsch introduces the Western Central research villages of Ban Dong and Ban Mai. He discusses their settlement in historical terms and outlines their development dynamics. Here he introduces both the local actors and state and NGO bodies involved in development issues. Chapter 5 constitutes a comprehensive analysis of production and resource control in the study villages. Hirsch pays particular attention to the transformation of relations of production and of access to and control over resources as the district is incorporated in the wider economy. This theme is further developed in Chapter 6. Here the outcome of various forms of rural development is examined in terms of the degree of control villagers have over their livelihood. Hirsch argues that there is a fundamental contradiction between the development ideology of cooperation and wider societal processes such as the individuation of production, increased social stratification and the increasing monetisation of community relations. He claims that without a recognition of the limits of the ethic of cooperation as opposed to individual actions, development efforts which encourage cooperation cannot succeed. Chapter 7 is of particular significance. Here Hirsch examines the power dimension of development. He notes that as development programs have placed an increasing emphasis on the involvement of local villagers, links between rural villages and wider political and economic systems have become stronger. At village level this has led to a concentration of power in the hands of state representatives and an increasing dependence of villagers on the supra-village system. Consequently, while villagers now have a greater degree of participation in the wider system, their freedom of action at the local level has been reduced. By way of conclusion, Chapter 8 reiterates the contradictions Hirsch claims are inherent in the notion of participatory development and makes some suggestions regarding future development activity. He views the increasing legitimisation of NGO activity and their increasing ability to work in cooperation with state developers as having potential. Most of all, he considers that the greatest potential for future rural development lies in the empowerment of local leaders and rural development programs directed by those they are designed to assist.

This work is a convincing analysis of the development experience in Western Central Thailand. However, we must ask just how typical the two research villages are in respect to the rest of Thailand. One, first settled in 1960, acquired the bulk of its settlers following forest clearance in 1978 and, although settlement of the other village dates back to the 1920s, until the 1950s it consisted of only 13 families. Although Hirsch points out that most of Thailand's 60,000 villages

have been settled in the twentieth century, a substantial number of villages have been settled for much longer periods of time. Given stronger kinship ties and community relations within more established villages, the response of the peasantry to the development initiatives Hirsch discusses may well be quite different. Also, given Hirsch's focus on the villagers' subjective experience of development, the reader would like to know more regarding factors such as kinship, ethnicity and religion. Surely these are significant in constituting villagers' response to development.

These criticisms notwithstanding, this is an important work, coming at a time when the social and environmental costs of the past thirty years of rapid development in Thailand are being counted. Significantly, Hirsch identifies the major issues of development as not being economic issues, but those related to power and control over everyday life. Although produced by a geographer and dealing primarily with development issues, this work is of interest for those working in the fields of anthropology and sociology, for historians and, more generally, for those interested in the transformation of contemporary Thai society.

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