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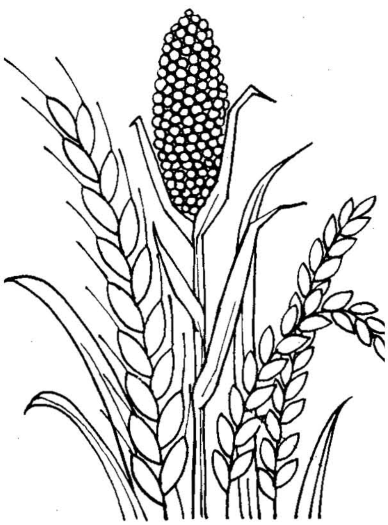

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presumption of this nature not lead to an over-estimation of needs and thus an exaggerated picture of our food problem in 1966 ?

Some of these ideas are spelt out in a manner of loud thinking. Perhaps, they are also the result of the common academic contagion of discussions, where none need exist. There is no doubt that Prof. Dantwala's brochure provides a refreshing analysis not only of food problem, but also of the major Indian agrarian questions. He also very ably brings out that the former is closely linked with the latter and that there is a need for a simultaneous approach to both to solve the food problem, which is only one of the many problems of the economy.

M. B. DESAI

An Enquiry into the Problems of Agricultural Price Stabilization and Support Policies, Food and Agriculture Organization of the United Nations, Rome, 1960. Pp. xi + 234. $2.50.

The problem of agricultural price stabilization and support policies is one of the few most intricate ones about which experts, policy-makers and people all are worried alike. It is a problem which inevitably arouses human emotions which cloud the issues involved. Barring a few outstanding attempts, the large amount of literature devoted to the study of this problem have failed to contribute in thrashing out properly the issues and suggesting adequate remedies to solve the problem. Often the remedies suggested have not taken roots in the real issues or if at all they seem to do so the remedies at once lead exactly to the point from where the problem starts. The attempt of the two groups of experts (1. Working Party and 2. Panel) whose reports comprise the F. A. O. publication under review is one more such failure.

In Economics, two major roles of prices are (*i*) optimal distribution of products and (*ii*) efficient allocation of productive resources to various competing uses. These two roles are best fulfilled when the movements of prices are free and unfettered. In case of agriculture, the trouble starts exactly at this stage ; the weather a variable exogenous input varies so much and in turn makes production fluctuate so widely that output is most of the time out of pace with the demand for its consumption. This is between years. Within one year point, output and continuous demand create another sort of disparity. Both lead to wide amplitudes of price variations. The producer then tries to play a safe game (and so also the financing agencies) ; as a consequence, productive resources are so conservatively used that on an average, production tends to be low, prices high, and resource allocation between agriculture and the rest, sub-optimal. There is a side story—rather many stories—varying incomes make peasants' life oscillate between privation and plenty, the international trade a gamble and often restricted, and the mobility of resources—human and non-human—in and out of agriculture, low.

There is another more general phenomenon in the economy, the technology, the tastes and relative demands for different products and also the composition of resources made available to the economy which change through time. The prices (the relative prices) have to change such that the various changes in the economy are easily digested and the resource-use kept at optimum level.

The need for agricultural price stabilization arises basically from the first phenomenon—supply being out of pace with demand—but every conceivable action taken or suggested to combat the wide production fluctuations introduce an element of rigidity making difficult adjustment to the second phenomenon, the economic changes (*i. e.*, tastes, techniques, etc.). It is this conflict which is difficult to resolve and which most of the remedies overlook. The experts associated with two reports also have failed to suggest any workable solution to overcome this conflict between unwanted fluctuations caused by weather changes and the need for adjustment to changing economic forces. In fact, the guiding principles suggested by the Working Party and endorsed in spirit by the Panel emphasize the need for flexibility. These principles briefly stated, are : (*i*) flexible production to adjust to consumer demand, (*ii*) scope for balanced and expanding consumption of agricultural products, (*iii*) rational use of resources, (*iv*) simplicity of operation. Take out from this the fourth principle which has an administrative lead, the rest merely restate the functioning of the market and if liberally interpreted would bring back, if not all, most of the production fluctuations. In any case, they are so nebulous that they leave too much to be desired for any concrete alternative mechanism (as substitute for free markets) to be evolved by the policy-makers, that would remove the undesirable production fluctuations and yet would not violate flexibility to adjust to economic changes. One can easily read in this either fighting shy of combating with the crux of the problem or an outright confession of inability to find the workable solution.

The report has emphasized several times the diversity of the economic situations in different countries, in turn, leading to a need for diverse types of price stabilization mechanism. Hardly, however, the reports have mentioned that the existing diversity of remedies apparently evolved to answer the diversity of economic situations, in reality, leads to varying degrees of violation of principles of economic efficiency. Besides, the results obtained regarding price stability have an equal degree of diversity. Further, the reports do not analyse the economic wastes arising out of application of pıice stabilization remedies though of course they at times hint at it.

Besides, only a few of the remedies examined start with a correct goal, most of the remedies attempt to resolve the symptom rather than the disease. Income stabilization *via* price stabilization so often found as the avowed objective of many a price stabilization scheme is the outstanding example of the wrong target and consequently misdirected efforts.

One unfortunate part of the farm-price stabilization is that it starts from the real price malaise but very soon farmers develop a vested interest in it forcing policy-makers to pitch farm prices above the equilibrium level. All the remedies, buffer stock, trade restrictions, cost-price parity, income parity, then founder on the huge economic wastes caused by accumulated surpluses, high prices and sometimes resulting into international dumping and prevention of growth of less developed economies. This emphasizes the fact that any human attempt to fix prices or support them will soon be entangled into human sentiments and passions and much more so when prices are to be fixed in relation to some past date. Forward prices retrieve the situation to some extent but in turn raise the problem of correct expectations. To accept moving averages of the past as the basis for expectations would violate the need to adjust to economic changes.

One of the major tasks entrusted to the two teams of experts was to provide guidance to less developed countries. The four criteria suggested by them do not fulfil this expectation. Measures to improve productivity discussed by them have a place of their own in improving agriculture but they can hardly be commended as measures of price stabilization. The reports implicitly endorse them, in general, without even separating out such measures as irrigation which particularly reduce fluctuations in per-acre yields and raise output. The under-developed economy has a special case for stable prices inasmuch as stable prices improve precision of expectation and thus help better and efficient planning of production. The real problem however is that the cost of price stabilization is very heavy for them. Besides, with low income levels the element of human welfare creeps in, in a large measure which tends to encourage, in the context of inferior production techniques, more of income transfers than production increases which may result in slowing down the general growth rate.

Often the price stabilization measures are selective and to that extent they distort allocation of resources to production of individual commodities without correspondingly benefiting the farmer. With little exercise in economic theory it can be shown that consequently among agriculturists, those owning fixed factors or quotas, earn heavy 'rents' which are then capitalized and between farmers and consumers it is the latter who tend to gain in balance once the surplus emerges in the economy.

However, to all those interested in the subject, these reports may be commended, for the fund of information contained in them with rich and varied experiences of diverse types of economies of the countries of the world. One can very well imagine the mass of data collected by an International organization such as Food and Agriculture Organization of the United Nations. The reports have done a splendid job of systematically arranging them for some very valuable observations regarding relative merits of different price stabilization schemes. Many Governments may find several practical issues thrashed out from which they can derive benefit. It is inevitable that criss-cross classification, however neatly done, involves some amount of repetition, and the reports have made an attempt to keep them to the minimum.

C. H. SHAH

Methods and Practice of Farm Accounts —Report on the Pilot Projects—Bombay 1955-56, Uttar Pradesh 1956-57, G.D. Agrawal and G.J. Khudanpur, Gokhale Institute of Politics and Economics, Poona. Asia Publishing House, Bombay, 1961. Pp. 86. Rs. 2.00.

The publication gives a detailed account of the Project conducted in Bombay State and Uttar Pradesh for popularising farm accounts. Probably, this Project is the first of its kind in India. Being conducted by the Gokhale Institute of Politics and Economics, it had all the advantages of the experience of the Institute in conducting farm economic surveys.